

MEMORANDUM

April 5, 2007

To: Education Committee

From: Elaine Bonner-Tompkins, Senior Legislative Analyst *EBT*  
Office of Legislative Oversight

Subject: **Worksession on Office of Legislative Oversight Report 2007-5, Key Fiscal Indicators for Montgomery County Public Schools**

On April 9, the Education Committee is scheduled to continue its worksession on OLO Report 2007-5. The Council received and released this report on February 27, 2007. The Education Committee reviewed the first three indicators on March 5<sup>th</sup>. The following MCPS representatives are expected to participate in the Education Committee's worksession:

Mrs. Nancy Navarro, President, Board of Education  
Dr. Jerry D. Weast, Superintendent of Schools  
Mr. Larry A. Bowers, Chief Operating Officer  
Dr. Frieda K. Lacey, Deputy Superintendent of Schools  
Mr. John Q. Porter, Deputy Superintendent, Office of Information and Organizational Systems  
Mr. Don Kress, Chief School Performance Officer  
Dr. Carey Wright, Associate Superintendent, Office of Special Education and Student Services  
Mr. Jamie Virga, Associate Superintendent, Office of Organizational Development  
Ms. Susan Marks, Associate Superintendent, Office of Human Resources  
Dr. Marshall Spatz, Director, Department of Management, Budget, and Planning

This packet is organized into three parts:

- Part A presents updates for eight of the key fiscal indicators, comparing data from the Board of Education's FY07 adopted budget to the Board's FY08 budget request;
- Part B summarizes the issues and related questions raised to date by Councilmembers on the proposed set of fiscal indicators; and
- Part C summarizes the remaining nine fiscal indicators for review by the Committee. The complete write-ups of each indicator are attached, beginning on © 25.

## **Recommended Next Steps**

Staff recommends that, on April 9<sup>th</sup>, the Education Committee aim to complete its review of the 12 key fiscal indicators proposed in OLO Report 2007-5. OLO will then prepare a report of the Committee's recommendations back to the full Council for consideration later this month. Based on the Committee's review to date, the Committee report will include suggestions for addition of indicators (e.g. one related to classroom costs) and a suggested prototype for a shorter write-up of key fiscal indicators in the future.

As discussed at an earlier Committee meeting, staff recommends the Education Committee hold a separate worksession on the two proposed pilot indicators this summer.

### **A. FY08 Updates of Eight Key Fiscal Indicators and MCPS Enrollment Data**

Councilmember Knapp, Chair of the Education Committee, requested OLO to update the key fiscal indicators with available FY08 data. Attached (beginning at © 1) are one-page updates for the eight indicators with available data as of March 30, 2007 (i.e. Indicators 1, 2, 3, 4, 7, 8, 9, and 10). Each update compares data from the FY07 adopted operating budget to the Board of Education's FY08 budget request.

The Board's FY08 budget projects enrollment for the 2007-2008 school year to essentially remain steady. Specifically, MCPS projects that enrollment will decline less than one percent, from its current FY07 enrollment of 137,798 to 137,007 students.

Selected key fiscal indicator highlights based on the Board's FY08 request follow.

- The operating budget increases by \$137 million (7%) from \$1.851 billion in FY07 to \$1.988 billion in FY08. The BOE's request shows the County's contribution increasing by \$79.4 million (5.7%) from FY07 to FY08;<sup>1</sup> even with this increase, the County's share of the MCPS operating budget would remain at 74 percent.
- The State's contribution increases by \$55 million (16 %) from FY07 to FY08 and the State's share of the budget increases from 18 to 20 percent of the total. State funding generated by MCPS' special needs population increases by \$41 million (36%).
- The overall Federal allocation to the MCPS operating budget remains unchanged between FY07 and FY08, declining from \$65.0 to \$64.7 million (less than 1%).
- The largest increases from FY07 to FY08 occur in three State budget categories - Administration (13%), Mid-Level Administration (11%) and Fixed Charges i.e. employee benefits (10%).

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<sup>1</sup> The Board's FY08 operating budget request is \$4.7 million more than the Superintendent's FY08 recommended budget. The Superintendent's budget included \$22.7 million in State revenue to fund the Geographic Cost of Education Index (GCEI) under Bridge to Excellence. The Board's request assumes no State revenue from GCEI and instead requests \$23.3 million more in additional County revenue to support its proposed FY08 budget.

- The number of tax supported positions increases by 169.3 FTE's (1%); the amount that MCPS expends on salaries and benefits for active tax supported positions increases by \$107 million (7%) from \$1.5 billion in FY07 to \$1.6 billion in FY08.
- Special education increases by \$16.7 million (5%) from \$308 million in FY07 to \$324 million in FY08.
- The amount spent on school plant operations, maintenance, transportation and utilities increases by \$13.7 million (7%) from \$200 million in FY07 to \$213 million in FY08.
- Per K-12 student costs increase by 9 percent to \$13,836; per elementary student costs increase by 4 percent to \$13,928; and per secondary student costs increase by 10 percent to \$13,764.

## **B. Issues and Questions Raised to Date**

Attached (beginning at © 9) is a summary list of issues and related questions raised to date by Councilmembers on the proposed set of key fiscal indicators. The list summarizes comments, questions, and suggestions offered by Councilmembers: on February 27 (when the report was presented to the full Council); at the Education Committee's March 5<sup>th</sup> worksession; and during subsequent meetings that staff held with Councilmembers to discuss the upcoming Education Committee worksessions.

## **C. Worksession on Key Fiscal Indicators Selected for Review on April 9<sup>th</sup>**

As indicated above, the Education Committee reviewed the first three fiscal indicators last month. The remaining nine indicators are briefly described below. As the Committee goes through them, the Committee should decide, as outlined in OLO's report, whether to recommend:

- Keep each indicator as presented or in some amended form;
- Change the format or details provided, including comparative data; and
- Annual or more frequent future updates and reporting of the data.

## **Indicator #4: Tax Supported Positions, Salaries, and Benefits by Bargaining Unit**

This indicator tracks the cost of salaries and benefits, number of positions, and average cost of salaries/benefits per tax supported position. In particular, data are provided on four components of compensation for active employees: salaries; Social Security; group insurance; and retirement. The full write-up of Indicator #4, including four year trend data, FY04-FY07, is attached at © 25.

#### **Indicator #5: Starting and Average Salaries for Selected Positions**

This indicator tracks starting and average salaries for four MCPS positions: teachers, paraeducators, bus operators, and principals. Added together, these four positions represent about two-thirds of the MCPS workforce. This indicator describes data on actual salaries and FTE positions rather than budgeted data. The full write-up of Indicator #5 is attached on © 30.

#### **Indicator #6: Retiree Health Benefits**

This indicator tracks the costs of health benefits provided to eligible MCPS retirees and their dependents. Indicator 6 includes: FY03-FY07 pay-as-you-go costs of MCPS retiree health benefits; and estimated FY08-FY12 pay-as-you-go costs of MCPS retiree health benefits plus contributions to the MCPS Retiree Health Trust Fund. The full write-up is attached on © 35.

#### **Indicator #7: Multi-Year Costs of Selected MCPS Initiatives**

This indicator estimates the FY01 to FY07 costs of three MCPS initiative: class size reduction, special education enhancements, and elementary school assistant principals. Indicator 7 provides data on new funds appropriated plus the continuing costs of delivering the same services. The annual “total initiative cost” for each is calculated as same service funding plus any program expansion costs provided in MCPS’ approved budget. The full write-up is attached on © 37.

#### **Indicator #8: Special Education Costs**

This indicator tracks the costs of delivering special education and related services such as occupational therapy to students with disabilities, age 0-21. The full write-up of Indicator #8, including five-year trend data, FY03-FY07, is attached at © 40.

#### **Indicator #9: Operations, Maintenance, Transportation and Utilities**

This indicator tracks the major non-instructional costs of the school system in four areas: school plant operations, maintenance, transportation and utilities. The full write-up is attached on © 43.

#### **Indicator #10: Per Student Costs by Grade Span**

This indicator tracks per student costs, as reported by MCPS, for four groups of students: kindergarteners, elementary students, secondary students, and all students overall in grades K-12. MCPS calculates per student costs based on the State formula that the agency must use to request reimbursements (e.g. Non--Public Placements). The full write-up is attached on © 45.

#### **Indicator #11: Per Student Cost by Disability Status**

This indicator presents average per student costs based on FY06 actual budget data. It includes MCPS average per student costs by grade span and average per student costs for different cohorts of students: students without disabilities; students with disabilities in MCPS schools; and students with disabilities in private placements. The full write-up is attached on © 49.

## Indicator #12: Per Student Costs by School Type/Service

This indicator reports per student costs for school-based service costs by the following “types” of schools: Focus elementary schools (i.e., high poverty schools); Non-focus elementary schools; Middle schools; High schools; and Special schools for students with disabilities. Indicator 12 also presents four years (FY03-FY06) of per student costs for school-based services vs. central/field office-based services. The full write-up for Indicator 12 is attached on © 52.

ATTACHMENTS	BEGINS AT:
FY08 Updates to Key Fiscal Indicators #1-4 and #7-10	© 1
Summary list of issues and questions raised by Councilmembers to date on key fiscal indicators	© 9
Executive Summary of OLO Report 2007-5	© 13
Comments from the Superintendent of Schools, dated 2/20/07	© 17
OLO's introduction to the indicators	© 18
Indicator 2: Sources of Federal and State Revenue <i>(Note: Correction to Table 7: Sources of State and Federal Revenue, FY03 – FY07. This indicator was reviewed by the Education Committee on March 5)</i>	© 21
Indicator 4: Tax Supported Positions, Salaries, and Benefits by Bargaining Unit	© 25
Indicator 5: Starting and Average Salaries for Selected Positions <i>(Note: Correction to Table 14 to reflect Description of Selected MCPS Positions by FTE's, FY07)</i>	© 30
Indicator 6: Retiree Health Benefits	© 35
Indicator 7: Multi-Year Costs for Selected MCPS Initiatives	© 37
Indicator 8: Special Education Costs	© 40
Indicator 9: Operations, Maintenance, Transportation and Utilities	© 43
Indicator 10: Per Student Costs by Grade Span	© 45
Indicator 11: Per Student Cost by Disability Status	© 49
Indicator 12: Per Student Cost by School Type/Service	© 52

**Category A – Revenues and Expenditures**  
**Updated with Board of Education FY08 Budget Request**

**INDICATOR 1: TOTAL OPERATING BUDGET BY REVENUE SOURCE, FY07-FY08**

This indicator measures MCPS' total annual operating budget and the relative contributions of the major revenue sources that fund the school system. Comparing the FY07 adopted budget to the FY08 Board of Education budget request, the data track:

- Increases in total funds that the Council appropriates to MCPS;
- Relative contributions of revenue from the County, State, and Federal government;
- Amount of revenue from Enterprise and Special Funds and other sources; and
- Annual changes in dollars by revenue source.

**Board of Education Requested Operating Budget by Revenue Source, FY07-FY08**

Revenue Source	Funding (\$ in millions)		FY07-08 Change		Percent of MCPS Budget	
	FY07	FY08	\$	%	FY07	FY08
County	1,384.7	1,464.1	79.4	5.7	74	74
State	335.4	390.4	55.0	16.4	18	20
Federal	65.0	64.7	-0.3	-0.5	4	3
Enterprise & Special Funds <sup>1</sup>	52.1	54.3	2.2	4.2	3	3
Other <sup>2</sup>	14.3	14.9	0.6	4.2	1	1
<b>Total</b>	<b>\$1,851.5</b>	<b>\$1,988.4</b>	<b>\$137.0</b>	<b>7.4%</b>	<b>100%</b>	<b>100%</b>

Selected highlights based on the Board's FY08 budget request follow:

- The operating budget increases by \$137 million (7.4%) from \$1.851 billion in FY07 to \$1.988 billion in FY08.
- The County's contribution to MCPS increases by \$79.4 million (5.7%) from \$1.385 billion in FY07 to \$1.464 billion in FY08.<sup>3</sup> Yet the County's share as a percent of the operating budget remains at 74 percent.
- The State's contribution increases by \$55 million (16.4%) from \$335 million in FY07 to \$390 million in FY08. The State's share of the operating budget increases from 18 to 20 percent of the total.

<sup>1</sup> Includes Enterprise Funds (School Food Service, Adult Education, Real Estate Management, Field Trips, and Entrepreneurial Activities), and the Instructional Television Special Revenue Fund.

<sup>2</sup> Includes revenue from tuition and fees, hospital teaching, private grants and "miscellaneous." During a fiscal year, as new grants are received, funds budgeted in Other Revenue are reclassified to other sources depending on the source of the grant. Consequently, FY07 adopted budget data are not comparable to FY03 to FY06 actual data.

<sup>3</sup> The Board's FY08 operating budget request is \$4.7 million more than the Superintendent's FY08 recommended budget. The Superintendent's budget included \$22.7 million in State revenue to fund the Geographic Cost of Education Index (GCEI) under Bridge to Excellence. The Board's request assumes no State revenue from GCEI and instead requests \$23.3 million more in additional County revenue to support its proposed FY08 budget.

**Category A – Revenues and Expenditures**  
**Updated with Board of Education FY08 Budget Request**

**INDICATOR 2: SOURCES OF FEDERAL AND STATE REVENUE, FY07 - FY08**

This indicator provides more detail on the State and Federal revenue most of which is formula driven, based on MCPS enrollment of students eligible for free and reduced-priced meals, special education, and English language acquisition services. Indicator 2 uses adopted budget data for FY07 and the Board of Education's FY08 Operating budget request.

**Sources of State and Federal Revenue, FY07-FY08**

<b>Revenue Source/Program</b>	<b>FY07</b>	<b>FY08</b>	<b>Change FY07 to FY08</b>	
<b>State of Maryland</b>	<b>(\$ in millions)</b>		<b>\$</b>	<b>%</b>
Bridge to Excellence	294.6	348.1	53.5	18.2
- <i>Compensatory Education</i>	58.1	82.5	24.4	42.0
- <i>Limited English Proficiency</i>	28.4	38.0	9.6	33.8
- <i>Special Education</i>	27.1	34.1	7.0	25.8
State Grant Programs	1.3	1.3	0.0	0.0
Transportation	28.3	30.7	2.4	8.5
Non-Public Placements	11.3	10.3	-1.0	-8.8
<b>Total State Revenue</b>	<b>\$335.4</b>	<b>\$390.4</b>	<b>\$55.0</b>	<b>16.4%</b>
- <i>Additional State revenue generated by students with special needs</i>	<i>\$113.6</i>	<i>\$154.6</i>	<i>\$41.0</i>	<i>36.1%</i>
<b>Federal Government</b>	<b>(\$ in millions)</b>		<b>\$</b>	<b>%</b>
No Child Left Behind	28.8	28.5	-0.2	-0.8
- <i>Compensatory Education -Title I</i>	20.1	19.8	-0.3	-1.5
- <i>English Language Acquisition -Title III</i>	2.9	3.1	0.2	6.9
<i>Special Education</i>	27.4	27.4	-0.1	-0.4
Medical Assistance Program	4.2	4.1	-0.1	-2.4
Head Start	3.3	3.2	-0.1	-3.0
Other Programs	1.5	1.5	0.0	0.0
<b>Total Federal Revenue</b>	<b>\$65.0</b>	<b>\$64.7</b>	<b>-\$0.3</b>	<b>-0.5%</b>
- <i>Additional revenue for students with special needs programs</i>	<i>\$50.4</i>	<i>\$50.3</i>	<i>-\$0.1</i>	<i>-0.1%</i>

Selected highlights based on the Board's FY08 budget request follow:

- The overall Federal allocation to the MCPS operating budget remains unchanged between FY07 and FY08, declining from \$65.0 million to \$64.7 million (less than 1%).
- State revenues to MCPS increase by \$55 million (16%) from \$335 million in FY07 to \$390 million in FY08. This estimate assumes that the CGEI is not funded.
- State funding generated by MCPS' special needs population increases by \$41.1 million (36.2%) from FY07-FY08.

**Category A – Revenues and Expenditures**  
**Updated with Board of Education FY08 Budget Request**

**INDICATOR 3: EXPENDITURES BY STATE BUDGET CATEGORY, FY07 – FY08**

This indicator summarizes MCPS' expenditures by State budget category. State law requires the County Council to appropriate funds to MCPS according to standardized categories defined by the Maryland State Department of Education (MSDE). The table below compares the FY07 adopted budget to the FY08 Board of Education Operating Budget request.

**Board of Education's FY08 Request by State Budget Category, FY07-FY08**

State Budget Categories		FY07	FY08	Change FY07-08	
		(\$ in millions)		\$	%
1	Administration	38.3	43.3	5.0	13.1
2	Mid-level Administration	118.4	130.9	12.6	10.6
3	Instructional Salaries	763.2	809.4	46.3	6.1
4	Textbooks & Instructional Supplies	35.6	35.5	-0.1	-0.4
5	Other Instructional Costs	19.5	20.0	0.5	2.8
6	Special Education	227.8	243.7	15.9	7.0
7	Student Personnel Services	10.4	11.1	0.7	7.2
8	Health Services	*	*	*	*
9	Student Transportation	79.8	84.7	4.9	6.2
10	Operation of Plant and Equipment	104.1	112.7	8.6	8.2
11	Maintenance of Plant	30.7	33.0	2.4	7.8
12	Fixed Charges	371.5	409.4	37.9	10.2
	Enterprise and Special Funds	52.1	54.3	2.2	4.2
	<b>TOTAL</b>	<b>\$1,851.5</b>	<b>\$1,988.4</b>	<b>\$136.9</b>	<b>7.4%</b>

Selected highlights based on the Board's FY08 budget request follow:

- The State categories of Instructional Salaries, Special Education, and Fixed Charges (i.e., employee benefits) account for almost three-fourths of the FY08 BOE budget request.
- Between FY07 and FY08, the largest percent increases occur in three categories - Administration by 13 percent, Mid-Level Administration by 11 percent, and Fixed Charges (i.e., employee benefits) by 10 percent.
- Textbooks and Instructional Supplies are the only State expense category anticipated to decline between FY07 and FY08 from \$35.6 million to \$33.5 million (less than 1%).



**Category B – Major Budget Components and Cost Drivers**  
**Updated with Board of Education FY08 Budget Request**

**INDICATOR 4: TAX SUPPORTED POSITIONS, SALARIES, & BENEFITS, FY07 – FY08**

This indicator tracks the cost of salaries and benefits, number of positions, and average cost of salaries/benefits per tax supported position. Tax supported positions represents approximately 90 percent of the MCPS workforce. Data for this indicator are presented for positions overall and by MCPS' three bargaining units for the FY07 adopted operating budget and the FY08 Board of Education request. Additionally, data are provided on four components of compensation for active employees: salaries; Social Security; group insurance; and retirement. The table below incorporates data on the "nonscheduled" employees into the MCAASP totals.

**Tax Supported Salaries, Benefits, Positions & Average Cost per FTE by Bargaining Unit, FY07-FY08**

	FY07 Budget	FY08 Request	Change FY07-08	
			#	%
Salaries and Benefits for Total MCPS Workforce (\$ in millions)				
Salaries	\$1,191.0	\$1,279.8	88.8	7.5
Social Security	\$89.2	\$96.0	6.8	7.6
Group Insurance	\$164.1	\$174.2	10.1	6.2
Retirement	\$55.8	\$56.8	1.0	1.8
Total	\$1,500.0	\$1,606.7	\$106.7	7.1%
Salaries and Benefits by Bargaining Unit (\$ in millions)				
MCEA members	\$1,021.2	\$1,086.4	65.2	6.4
SEIU members	\$368.8	\$399.1	30.3	8.2
MCAASP and Non Scheduled	\$110.0	\$121.3	11.3	10.3
Total	\$1,500.0	\$1,606.7	\$106.7	7.1%
Number of Filled Positions (FTEs) by Bargaining Unit				
MCEA	11,329.6	11,373.6	44.0	0.4
SEIU	7,205.2	7,304.5	99.3	4.1
MCAASP and Nonscheduled	872.3	898.3	26.0	3.0
Total	19,407.0	19,576.4	169.4	0.9%
Average Cost per FTE by Bargaining Unit				
MCEA	\$90,132	\$95,518	\$5,386	6.0%
SEIU	\$51,186	\$54,631	\$3,445	6.7%
MCAASP and Nonscheduled	\$126,152	\$135,031	\$8,879	7.0%

Selected highlights based on the Board's FY08 budget request follow:

- The number of tax supported positions increases by 169.4 FTE's (1%) from FY07 to FY08. In particular, the number of MCEA FTE's increases by 44 (<1%), the number of SEIU FTE's increases by 99.3 (4%), and the number of MCAASP FTE's increases by 26 (3%);
- The amount that MCPS expends on salaries and benefits for active tax supported positions increase by \$106.7 million (7%) from 1.6 billion in FY07 to \$1.6 billion in FY08; and
- The average cost per MCEA position increases by 6 percent to \$95,518; the average cost per SEIU position increases by nearly 7 percent to \$54,631; and the average cost per MCAASP position increases by 7 percent to \$135,031.

**Category B – Major Budget Components and Cost Drivers**  
**Updated with Board of Education FY08 Budget Request**

**INDICATOR 7: MULTI-YEAR COSTS OF SELECTED MCPS INITIATIVES, FY07 – FY08**

This indicator estimates the costs of three MCPS initiatives implemented since FY01: class size reduction, special education enhancements, and elementary school assistant principals. Indicator 7 provides data on new funds appropriated in FY07 and FY08 for each initiative plus the continuing costs of delivering the same services approved between FY01 and FY07 with no inflationary adjustment. The annual “total initiative cost” for each initiative is calculated as same service funding plus any program expansion costs provided in MCPS’ approved budget.

**Estimated Costs and FTE’s for Three Selected Initiatives, FY01-FY08**

	Annual Costs/FTE's				Total Costs/FTE's			
	FY07	FY08	FY07-FY08 Change		FY01 - FY07	FY01- FY08	FY07-FY08 Change	
			#	%			#	%
Cost of Class Size Reduction (\$ in millions)								
New Funds	1.6	0.2	-1.4	-87.5	25.4	25.6	0.2	0.7
Same Service since FY01	23.8	25.4	1.6	6.7	74.4	99.8	25.4	34.1
Total Costs	\$25.4	\$25.6	\$0.2	0.7	\$99.8	\$125.4	\$25.6	25.7
Cost of Special Education Enhancements (\$ in millions)								
New Funds	3.8	0.1	-3.7	-97.4	12.0	12.1	0.1	0.8
Same Service since FY01	8.2	12.0	3.8	46.3	28.2	40.2	12.0	42.6
Total Costs	\$12.0	\$12.1	\$0.1	0.8	\$40.2	\$52.3	\$12.1	30.1
Cost of New Elementary School Assistant Principals (\$ in millions)								
New Funds	1.6	1.6	0	0	3.1	4.7	1.6	51.6
Same Service since FY01	1.5	3.1	1.6	106.7	2.7	5.8	3.1	114.8
Total Costs	\$3.1	\$4.7	\$1.6	51.6	\$5.8	\$10.5	\$4.7	81.0
Cost of Three Initiatives (\$ in millions)								
New Funding for All Three	7.0	1.9	-5.1	-72.9	40.5	42.4	1.9	4.7
Total Cost for All Three	\$40.5	\$42.4	\$1.9	4.7	\$145.8	\$188.2	\$42.4	29.1
FTE's for Three Initiatives								
Class Size Reduction	28.0	3.0	-25.0	-89.3	523.0	526.0	3.0	0.6
Special Ed. Enhancements	74.9	1.0	-73.9	-98.7	237.7	238.7	1.0	0.4
New Elem. Asst. Principals	15.0	15.0	0	0	33.0	48.0	15.0	45.5
Total FTE's for All Three	117.9	19.0	-98.9	-83.9	793.7	812.7	19.0	2.3

Selected highlights based on the Board’s FY08 budget request follow:

- New funding for the three initiatives totals \$1.9 million in FY08. The addition of 15 new elementary school assistant principals accounts for 84 percent of this cost (\$1.6 million).
- The cost to continue the same program services increases significantly. Between FY07 and FY08, the cost of maintaining class size reductions increases by \$25 million (34%), the cost to continue special education enhancements increases by \$12 million (43%); and the cost to maintain elementary school assistant principals positions increases by \$3.1 million (115%).
- The total cost of these three initiatives increases by \$42 million (29%) from \$146 million in FY07 to \$188 million in FY08. This amount is equal to \$146 million in continuing program costs on top of the \$42 million in new funding since FY01.

**Category B – Major Budget Components and Cost Drivers**  
**Updated with Board of Education FY08 Budget Request**

**INDICATOR 8: SPECIAL EDUCATION COSTS, FY07 – FY08**

Indicator 8 tracks special education and related service costs in five categories:

- K-12 Special Education Services<sup>1</sup> for children with disabilities age 6-21;
- Early Intervention and Preschool Services<sup>2</sup> for children with disabilities age 0-5;
- Non-Public Placements for students with disabilities in private schools at public expense;
- Transportation for transporting students with disabilities to school; and
- Special Education Benefits for staff who deliver services to students with disabilities.

This indicator compares FY07 adopted budget data to the Board of Education's FY08 budget request. Indicator 8 also tracks anticipated special education enrollment by placement.

**Special Education Expenditures and Enrollment, FY07 – FY08**

Special Education Cost	Expenditures (\$ in millions)		FY07-08 Change		% of Operating Budget	
	FY07	FY08	\$	%	FY07	FY08
K-12 Special Education Services	165.0	178.1	13.1	7.9	9	9
Early Intervention and Preschool Services	30.1	32.0	1.9	6.2	2	2
Non-Public Placements	32.7	32.1	-0.6	-1.7	2	2
Transportation	32.3	33.7	1.4	4.4	2	2
Estimated Benefits <sup>3</sup>	47.4	48.3	0.9	1.8	3	2
<b>TOTAL</b>	<b>\$307.5</b>	<b>\$324.2</b>	<b>\$16.7</b>	<b>5.4%</b>	<b>17%</b>	<b>16%</b>
Student in:	Number of Students with Disabilities**		#	%	% of MCPS- Funded Students	
	FY07	FY08			FY07	FY08
MCPS Facility	17,218	17,400	182	1.1	12	13
Non-Public Placement***	591	661	70	11.8	*	*
<b>TOTAL</b>	<b>17,809</b>	<b>18,061</b>	<b>252</b>	<b>1.4%</b>	<b>13%</b>	<b>13%</b>

\*Value is less than one percent; \*\* FY07 numbers of students are an unofficial count; FY08 numbers from FY08 Capital Budget and Amendments; \*\*\*Non-Public Placements are not included in total MCPS enrollment.

Selected highlights based on the Board's FY08 budget request follow:

- Special education costs increase by \$16.7 million (5.4%) to \$324.2 million. Yet, special education's share of the MCPS budget decreases from 17 to 16 percent.
- The cost of K-12 services increases by 8 percent compared to early intervention and preschool services increasing by 6 percent and transportation increasing by 4 percent.
- The enrollment of students with disabilities served in MCPS facilities increases by 1 percent compared to a 12 percent increase in non-public placements.

<sup>1</sup> Calculated as State Budget Category 6 minus the costs of Non-Public Placements and pre-school and early intervening services for children with disabilities.

<sup>2</sup> Includes Division of Preschool Special Education and Related Services and Home and School Based services for Infants, Toddlers, and Preschoolers with Disabilities (IDEA Education).

<sup>3</sup> Benefits estimated as 22.3% of FY07 salaries and 23.5% of FY08 salaries for Category 6 and transportation staff.

**Category B – Major Budget Components and Cost Drivers**  
**Updated with Board of Education FY08 Budget Request**

**INDICATOR 9: COST OF SCHOOL PLANT OPERATIONS, MAINTENANCE, TRANSPORTATION, AND UTILITIES, FY07 – FY08**

This indicator tracks the major non-instructional costs of the school system. FY07 data reflect budgeted costs, and FY08 data track the Board of Education's FY08 operating budget request. Indicator 9 tracks anticipated changes in expenditures for:

- School Plant Operations, which includes the routine cleaning of MCPS facilities and the support of community use activities;
- Maintenance, which includes maintenance and repair services, environmental services, capital asset replacements, and automated energy management operations;
- Transportation, which includes maintaining and operating MCPS' bus fleet; and
- Utilities which includes the costs of electricity, heating oil, natural gas, propane, and water and sewer for all MCPS facilities.

**School Plant Operations, Maintenance, Transportation, and Utilities Costs, FY07-FY08**

Activity	Expenditures (\$ in millions)		FY07-08 Change		Percent of MCPS Budget	
	FY07	FY08	\$	%	FY07	FY08
School Plant Operations	51.4	55.5	4.1	8.1	3	3
Maintenance	27.9	29.8	1.9	7.0	2	1
Transportation	79.0	83.2	4.2	5.2	4	4
Utilities	41.4	44.9	3.5	8.5	2	2
<b>TOTAL</b>	<b>\$199.7</b>	<b>\$213.4</b>	<b>\$13.7</b>	<b>6.9%</b>	<b>11%</b>	<b>11%</b>

Selected highlights based on the Board's FY08 budget request follow:

- In FY08, the operating budgets for school plant operations, maintenance, transportation, and utilities totals \$213.4 million and accounts for 11 percent of the total MCPS budget.
- The amount spent on these non-instructional costs increases by \$14 million (7%) from nearly \$200 million in FY07 to \$213 million in FY08.
- A comparison of percent cost increases across these four categories of non-instructional costs between FY07 and FY08 show some differences. The costs of school plant operations increases by 8 percent from \$51 to \$56 million; maintenance increases by 7 percent from \$28 to \$30 million; transportation increases by 5 percent from \$79 to \$83 million; and utilities for plant operations and equipment increases by almost 9 percent from \$41 to \$45 million.

**Category C – Per Student Expenditures**  
**Updated with Board of Education FY08 Budget Request**

**INDICATOR 10: PER STUDENT COST BY GRADE SPAN, FY07 – FY08**

This indicator tracks FY07 to FY08 changes in per student costs for three groups<sup>1</sup>: (1) elementary students, (2) secondary students, and (3) all students in grades K-12. Data reflects the FY07 adopted budget and FY08 Board of Education Budget request.

MCPS calculates per student costs based on the State formula that the agency must use to request reimbursements (e.g. Non-Public Placements). These calculations exclude the cost of pre-K, summer school, community services, non-public placements, and enterprise funds because these expenditures do not match to students enrolled in grades K-12. The dollar amounts included and excluded in MCPS' student cost calculations are listed in the table below.

**MCPS Average Costs per Student by Grade Span, FY07-FY08**

MCPS Data by Grade Span	FY07	FY08	FY07-FY08 Change	
			\$	%
Kindergarten	\$10,509	---	---	---
Elementary	\$13,349	\$13,928	578	4.3
Secondary	\$12,566	\$13,764	1,198	9.5
<b>K-12</b>	<b>\$12,718</b>	<b>\$13,836</b>	<b>1,118</b>	<b>8.8</b>
<b>MCPS Operating Budget (\$ in millions)</b>				
Operating Budget	\$1,851.50	\$1,988.40	\$136,904,794	7.4%
<b>Used in Calculation</b>	<b>\$1,721.50</b>	<b>\$1,857.20</b>	<b>\$137,803,222</b>	<b>8.0%</b>
Amount Excluded	\$132.11	\$131.21	-\$898,428	-0.7%
Percent Excluded	7.1%	6.6%	---	---

Selected highlights based on the Board's FY08 budget request follow:

- Per K-12 student costs increase by \$1,198 (9%) from \$12,718 in FY07 to \$13,836 in FY08.
- Per elementary student costs increase by \$578 (4%) from \$13,349 in FY07 to \$13,928 in FY08.
- Per secondary student costs increase by \$1,198 (10%) from \$12,566 in FY07 to \$13,764 in FY08.
- Like FY07, MCPS excludes about \$130 million its calculation of per student costs in FY08. However, the percent of expenditures excluded from per student cost calculations drops from 7.1 percent of the operating budget in FY07 to 6.6 percent in FY08.

<sup>1</sup> With adoption of full day kindergarten, in FY08, these per student costs are included among elementary students.

## **Issues and Questions Raised to Date by Councilmembers**

### **Updated April 3, 2007**

#### **Issues/Questions Raised on February 27, 2007**

The issues and related questions raised by the Council on February 27<sup>th</sup>, following the receipt and release of OLO Report 2007-5, are summarized below.

##### Issue: Suggestions for Additional Fiscal Indicators

- An indicator on the cost of a “classroom” and the cost of adding additional classrooms,
- An indicator that links resources for class size reduction to the number of additional classrooms, teaching stations, and classes,
- An indicator that tracks the costs (school-based and centralized) of providing behavioral health services,
- One or more indicators that describe “what works” and capture the most cost effective investments that the school system can make.

##### Issue: Concerns about Terminology

- The use of the terms “cost” and “expenditures” interchangeably does not provide a sufficient distinction between what was spent vs. what it actually costs to get a desired result,
- The use of the term “indicator” may be misleading because it connotes that the data alone reveals whether the agency is headed in the “right” or “wrong” direction.

##### Issue: Concerns about sources and uses of data

- Consideration should be given to compiling data trends for longer time frames,
- The per student cost data should include more explanations as to why the costs vary,
- There are problems with using data compiled by the State Department of Education, especially comparative data, because of the inconsistencies in how school systems report and track data,
- Data collection and confirmation of the integrity and accuracy of data sources should precede both an analysis and discussion of cost trends and efficiency,
- Comparing MCPS’ costs to other school systems may not be valid because of how different jurisdictions fund school-related activities, e.g., school health services, after-school activities.

##### Issue: Linking fiscal indicators to measures of student success and concerns about the two pilot indicators

- Over time, the Council should tie the fiscal indicators to MCPS strategic plan,
- Questions and concerns were raised about how MCPS’ *Call to Action* currently defines and measures student success,
- The benchmarks selected for use in the pilot indicators are not the right measures of student success for the Council to track over time.

### Other Comments

- In exercising appropriate fiscal oversight, the Council should keep in mind the respective roles of the Council and Board of Education,
- The Council should focus on performance outcomes and the efficient/effective use of resources rather than specific programmatic issues,
- The Council should find out how the data collection and budget reporting practices of the schools compare to those of other County-funded agencies.

### **Issues and Questions Raised on March 5, 2007**

The issues and related questions raised by Councilmembers during the Education Committee worksession on March 5 are summarized below.

#### Issue: Use of Fiscal Indicators Data

- The key fiscal indicators should be used to help the Council explore what is known, what is not known, and how resources are being allocated to be able to ask better questions,
- Questions were raised about the process of incorporating the key fiscal indicators into this year's review of the MCPS budget and how Councilmembers' questions will be included in the dialogue,
- In their upcoming discussions and use of the key fiscal indicator data, the Council should keep in mind the boundaries between the role of the Council and the role of the Board of Education.

#### Issue: Suggestions for Additional Fiscal Indicators

- An indicator that tracks cost per classroom and how many new teacher positions are related to class size reduction,
- An indicator that captures the cost of other agency funds (e.g., County Government, Park & Planning) spent on MCPS-related activities, including health services and ball field maintenance.

#### Issue: Suggested Additions to Indicator 1, Total Operating Budget by Revenue Source

- Table 6, Maryland School Systems Ranked by Percent of FY07 Budget Supported by Local Funds, should include additional explanation to reflect the fact that different school districts across the state budget different items in their respective school budgets,
- Additional years of historical data would provide a more complete picture of the changes in MCPS' revenue sources,
- It would be useful to referencing the rates of inflation that occurred during the years for which data are provided.

#### Issue: Suggested Additions to Indicator 2, Sources of Federal and State Revenues

- This indicator should include more explanation of what is included in Compensatory Education; specifically, to explain that Compensatory Education approximates poverty because it is related to FARMS eligibility,
- Table 8, State and Federal Revenue Tied to Students with Special Needs should include enrollment data on students eligible for special services. (Currently these data are included in Chapter 2 of the OLO report.)

Issue: Suggested Additions to Indicator 3, Expenditures by State Budget Category

- Additional years of historical data would help Councilmembers ask better questions about changes over time in the amounts appropriated to specific State budget categories,
- The write-up should include an explanation of what is included (and excluded) from State budget category 8 – Health Services,
- The write-up should include an explanation of what is included in State Budget Category 14 – Community Services.

Issue: Additional Data and Information Requests

Councilmembers expressed interest in

- A report from MCPS on grant-funded projects that are expected to sunset annually, and information on MCPS' policies for transitioning grant-funded programs into the budget,
- A report from MCPS that describes the lag time between identifying students eligible for special programs and the receipt of Federal and State funds that are based on the numbers of eligible students,
- Information on how student eligibility for special services is verified by MCPS and reported to the State, and how the State allocates funding for special services based on student enrollment,
- Finding out whether the school has a “better” measure than FARMS to approximate poverty rates among MCPS students; and more information on MCPS' efforts to better identify and deliver services to low-income students who do not enroll in FARMS,
- Data on how much funding is allocated for 10-month teachers who deliver instruction in the classroom.

Other Questions/Comments

- Will the Council be prepared to identify specific reductions (beyond just the State budget categories) if the Council is unable to fully fund the BOE operating budget request?
- The MFP Committee would like to be able to compare “total compensation” (that includes costs of compensation beyond salaries and benefits) across County agencies and with other local government jurisdictions in the region.

**Issues and Questions Raised since Education Committee Worksession on March 5th**

The following additional questions and concerns were shared with OLO staff following the March 5<sup>th</sup> Education Committee worksession.

Issue: Specific suggestions/comments on Indicators #8 and #11

- What is the Council's role relative to providing oversight for MCPS and its proposed special education programming? What does the Council need to know about special education to exercise its oversight role with respect to MCPS on this issue?
- For Indicator 8, Special Education Costs, it would be helpful to understand the proportion of students with disabilities served in Learning Centers and other self-contained options, i.e. placement patterns by service environments,
- For Indicator 8, it would be helpful to track MCPS' legal costs related to special education and due process hearings by fiscal year,
- For Indicator 11, Per Student Costs by Disability Status, it would be helpful to add an explanation of the range of costs represented by per student costs for students with disabilities in MCPS facilities.



Issue: Follow-up questions on MCPS' class size reduction initiative

- Has MCPS reached a plateau in some initiatives such as all-day kindergarten and class-size reduction? If so, what other activities should the school system and Council consider to make improvements? What is the ideal after class sizes are reduced?
- Are class sizes actually down to what they need to be? How many teachers do they really need to do the job? What is the difference between the amount that MCPS' requests for funds and what MCPS needs to meet its strategic goals related to student performance?

Issue: Alignment between MCPS and Montgomery College Standards for English and math

- Has MCPS compared its standards in English and math to Montgomery College's standards for entering students? As a measure of college readiness, MCPS should develop and monitor a standard that reflects the number of MCPS graduates who require remedial English and math at Montgomery College and perhaps other in-State institutions of higher education.

## KEY FISCAL INDICATORS

### MONTGOMERY COUNTY PUBLIC SCHOOLS

OFFICE OF LEGISLATIVE OVERSIGHT REPORT 2007-5

FEBRUARY 27, 2007

#### OVERVIEW

The Montgomery County Public Schools' FY07 operating budget of \$1.85 billion represents almost half of the \$3.88 billion that the County Council appropriated to County-funded agencies. Local tax dollars fund about three-fourths of MCPS' operating budget.

This report responds to the County Council's request for Office of Legislative Oversight (OLO) to recommend a dozen fiscal indicators of the MCPS operating budget. Fiscal indicators are quantitative measures of funding and spending that provide information on sources of revenue, resource allocation, major cost drivers, and expenditure trends. It is anticipated that the Council will use these fiscal indicators to:

- Become more familiar with MCPS' base budget;
- Provide context for MCPS' annual operating budget requests for new funding; and
- Discuss funding and expenditure trends with MCPS and members of the community.

Combined with data on student performance, a review of fiscal indicators can facilitate understanding of the efficiency and effectiveness of MCPS' operations and activities. While recognizing that no single measure, such as average per student cost or change in average teacher salary, can be used to determine funding decisions, such indicators can serve as barometers of the fiscal performance of the school system.

#### ENROLLMENT AND DEMOGRAPHIC TRENDS

Enrollment and demographic trends are important building blocks for the MCPS operating budget. Following a period of steady growth for more than two decades, MCPS' enrollment has now leveled off. MCPS' current school year enrollment of 137,798 students represents a small decline (1.1%) compared to last year.

Reflecting changes in the County's demographics, MCPS' student population notably changed during the past three decades with respect to its racial/ethnic composition, percent of students who receive free and reduced-priced meals (FARMS), and number of English language learners. Between FY75 and FY05:

- The number of African-American, Hispanic, Asian-American, and American Indian students increased from 11 to 57 percent of total enrollment;
- The number of students receiving FARMS almost quadrupled; and
- Enrollment of English language learners increased to almost 10 percent of all students.

Total enrollment and other demographic characteristics have changed less dramatically in recent years.

#### LEGISLATORS' USE OF FINANCIAL AND PERFORMANCE DATA

Legislators routinely make decisions about how to allocate money. Historically, funding decisions have rarely been based on the large numbers of performance measures that agencies generate. Reasons for this include:

- Concerns about accuracy and reliability of the data;
- Limited relevance of the large quantity of data provided; and
- Insufficient understanding of how to connect the data to resource allocation.

To date, there are few examples of school systems using fiscal indicators to capture their efficiencies, particularly with regard to the return on spending in education. However, recognizing the benefits of data and analysis that links the investment of public resources to desired outcomes, current efforts are underway across the country to strengthen the connection between educational inputs and outcomes. This OLO project assignment reflects the County Council's interests in moving in this direction.

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## Recommended Fiscal Indicators

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OLO developed 12 fiscal indicators that provide an overview of the MCPS operating budget. The indicators are organized into the three major categories listed below. Most indicators provide multiple years of trend data. Several also include comparative data from other area school systems.

### Category A – Revenues and Expenditures

**Indicator 1, Total Operating Budget by Revenue Source**, tracks MCPS' total annual operating budget and the relative contributions of the major revenue sources that fund the school system. It includes a ranking of Maryland school systems by the percent of their respective operating budgets supported by local funds.

**Indicator 2, Sources of Federal and State Revenue**, provides more detail on the State and Federal revenue that MCPS receives. It includes trend data on funding that MCPS has received from the Bridge to Excellence, No Child Left Behind, and the Individuals with Disabilities Education Act programs.

**Indicator 3, Expenditures by State Budget Category**, presents MCPS' budget according to the State budget categories defined by the Maryland State Department of Education. State law mandates that the Council use these categories to allocate funds within the MCPS budget.

### Category B – Major Budget Components and Cost Drivers

**Indicator 4, Tax Supported Positions, Salaries, and Benefits by Bargaining Unit**, tracks the cost of salaries and benefits for MCPS employees, broken out by bargaining unit. This measure focuses on tax supported positions, and excludes those funded by grants, enterprise, and special revenue funds.

**Indicator 5, Starting and Average Salaries for Teachers, Paraeducators, Bus Operators, and Principals**, provides salary data for four positions. Teachers, paraeducators, bus operators, and principals account for two-thirds of the MCPS workforce. This indicator also compares teacher salaries across area school systems.

**Indicator 6, Expenditures for Retiree Health Benefits**, presents the costs of health benefits for MCPS retirees and their dependents. This indicator tracks past, current, and projected costs of retiree health, including the anticipated contributions to the MCPS Retiree Health Trust Fund that will begin in FY08.

**Indicator 7, Multi-Year Costs of Selected MCPS Initiatives**, tracks the annual and cumulative costs of three major MCPS initiatives implemented since FY01: class size reduction, special education enhancements, and additional elementary school assistant principals.

**Indicator 8, Special Education Costs**, tracks the expenditures for special education operations and services, including transportation for individuals with disabilities, ages 0 to 21.

**Indicator 9, Cost of School Plant Operations, Maintenance, Transportation, and Utilities**, provides data on major non-instructional costs, such as cleaning of facilities, repairs, bus maintenance, and electricity.

### Category C – Per Student Expenditures

**Indicator 10, Per Student Cost by Grade Span**, presents MCPS' calculations of per student costs for kindergarten, elementary, secondary, and K-12 students. It also compares MCPS' average cost per student to other area school districts, using data from the Washington Area Boards of Education.

**Indicator 11, Per Student Cost by Disability Status**, compares MCPS' average per student cost to estimates of per student costs for students with and without disabilities.

**Indicator 12, Per Student Cost by School Type and Service Category**, compares MCPS' average per student costs in Focus (i.e. high poverty) and Non-focus Elementary, Middle, High, and Special schools. It includes a list of all MCPS elementary schools in descending order of FY06 per student school-based costs.

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## Selected Findings from Fiscal Indicators

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Key findings from OLO's review of MCPS fiscal indicators include:

- a. MCPS' FY07 budget of \$1.85 billion is \$436 million (31%) larger than it was four years ago. During this time, enrollment remained around 139,000 students and MCPS experienced small increases in the number of students receiving FARMS, English as a second language services, and special education services.
- b. In FY07, County tax dollars pay for 74% of MCPS' operating budget; the State funds 18% and the Federal government funds 4%. Enterprise and Special Funds (3%) and other sources (1%) make up the balance.
- c. Recent increases in State and Federal funds are largely determined by the numbers of MCPS students eligible for FARMS, English language acquisition services, and special education programs. Since FY04, State and Federal funding generated by these populations increased by almost \$80 million.
- d. MCPS' FY07 tax supported workforce of 20,028 FTEs is represented by Montgomery County Education Association (MCEA) – 57%; Service Employees International Union Local 500 (SEIU) – 39%; and Montgomery County Association of Administrative and Supervisory Personnel (MCAASP) – 4%. Only 22 staff members are not represented.
- e. Between FY03 and FY06, MCPS added 422 teachers to the workforce: 31 in FY04, 161 in FY05, and 230 in FY06. MCPS' starting teacher's salary in FY06 was \$542 higher and average teacher's salary was \$4,524 higher compared to Fairfax County Public Schools.
- f. For tax supported MCPS employees, the component costs of salaries and benefits have been increasing at notably different rates. Specifically, between FY04 and FY06, salaries increased 12%; group insurance costs increased 24%; and retirement (i.e., pension) contributions increased 77%.
- g. MCPS' annual spending on retiree health benefits will more than triple, from \$35 million in FY07 to \$129 million in FY12. This is due to increasing health care costs plus annual payments into the Retiree Health Trust Fund, which is being created to fund MCPS' future retiree health liability, estimated at \$1.3 billion.
- h. Between FY03 and FY06, special education costs increased 32% from \$213 to \$280 million. During this time, the number of students with disabilities enrolled in MCPS schools and non-public placements remained steady at about 13% of all students whose education is funded through MCPS. In FY06, students with disabilities totaled 18,321.
- i. To demonstrate the difference between new and ongoing program costs, OLO tracked funding since FY01 for class size reduction, special education enhancements, and elementary assistant principals. During this time, new annual funding totaled \$40.5 million, while the total cumulative cost of these initiatives was \$145.8 million.
- j. FY07 data compiled by the Washington Area Boards of Education ranks MCPS' average per student costs of \$13,446 as the highest among area school systems with enrollment larger than 50,000. Fairfax County Public Schools' average per student cost (\$12,853) ranks second.
- k. The differential between MCPS' per student costs at the elementary vs. secondary grades has increased in recent years. In FY03, per student costs at the elementary level were \$265 more than the per student costs at the secondary level; by FY06, this difference had increased to \$515.
- l. In FY06, MCPS' average cost of educating a student without disabilities was \$10,043. This was less than half the average cost of educating a student with disabilities enrolled in an MCPS school (\$22,018), and one-fifth the cost of educating a student with disabilities in a private placement (\$53,958).
- m. To show funding differences between Focus (i.e., high-poverty) and Non-focus elementary schools, OLO calculated per student costs (for school-based services) by school type. In FY06, average school-based per student costs at Focus elementary schools was \$10,117 compared to \$8,336 at Non-focus school.

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## Linking Inputs to Outcomes and Next Steps

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### THE RESEARCH

Research on the correlation between higher levels of funding and improved student performance generally finds ambiguous and sometimes conflicting results. Some studies conclude there is no evidence of a relationship between the amount of money spent and student achievement, while others find a substantial connection.

A causal link between educational inputs and outputs is difficult to prove. Factors other than school-based inputs (e.g., family background, socioeconomic conditions) are known to have a measurable impact on student achievement. Further, there are limitations and biases in the tests used to measure student achievement.

Some research suggests that investment in certain reform strategies can make a difference in student achievement. In particular, "successful" strategies identified in the literature include targeting resources to improve the performance of struggling learners; smaller class sizes for disadvantaged groups; improving teacher quality; and rigorous curriculum and course offerings.

### TWO PILOT INDICATORS FOR DISCUSSION

OLO's report introduces two pilot MCPS indicators for the purpose of launching a discussion about ways to measure the efficiency and effectiveness of the County's substantial spending on education. Beyond measuring costs per student, these pilot indicators attempt to measure the cost per "successful" student. While remaining cognizant of the measurement challenges, OLO suggests tracking changes in MCPS' unit costs that compare changes in spending to student achievement.

- Pilot Indicator A, Algebra High School Assessment Proficiency (HSA), measures the unit cost of Algebra HSA proficient students. This State assessment test is one of four that members of the Class of 2009 and beyond must pass to graduate from high school. This pilot indicator compares FY03 to FY06 changes in the four-year cost of high school to Algebra HSA proficiency rates by student groups.
- Pilot Indicator B, Advanced Placement/Honors Class Participation, measures the unit cost of students participating in one or more AP/Honors classes. MCPS has a goal to increase the rate of AP/Honors participation to 75%. This pilot indicator compares changes in the cost of high school to AP/Honors participation rates by student groups.

Preliminary analysis by OLO suggests that MCPS increased its efficiency on the pilot indicator for Algebra HSA proficiency and decreased its efficiency on the pilot indicator for AP/Honors class participation. For both indicators, unit costs declined most significantly for African-Americans, Hispanics, students receiving FARMS, students with disabilities, and English language learners.

### RECOMMENDED NEXT STEPS

The Office of Legislative Oversight recommends that the County Council:

1. Adopt a package of fiscal indicators for the MCPS operating budget, including decisions on the format and frequency for providing future updates to the Council.
2. Direct staff to produce an updated version of the adopted indicators that reflects the Board of Education's FY08 Recommended Operating Budget.
3. Determine the need for additional comparative data from other school districts.
4. Consider assigning OLO an FY08 Work Program project to develop a parallel package of key fiscal indicators for MCPS Capital Budget and Capital Improvement Program (CIP).

For a complete copy of OLO-Report 2007-5, go to: [www.montgomerycountymd.gov/olo](http://www.montgomerycountymd.gov/olo)



**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
MARYLAND  
www.montgomeryschoolsmd.org

February 20, 2007

Ms. Karen Orlansky  
Director, Office of Legislative Oversight  
Montgomery County Council  
100 Maryland Avenue  
Rockville, Maryland 20850

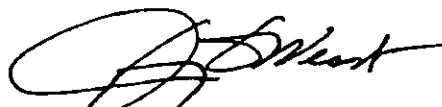
  
Dear Ms. Orlansky:

Thank you for providing the draft report from the Office of Legislative Oversight for the Montgomery County Public Schools (MCPS) Fiscal Indicators project. This project has provided a comprehensive review of fiscal indicators relevant to the MCPS operating budget. MCPS staff has reviewed the draft report and found it to be thoughtfully written and helpful to our common goal of making the MCPS budget more understandable to the public and a more useful tool to elected officials.

I appreciate the collaborative relationship that Ms. Elaine Bonner-Tompkins developed with the many MCPS staff with whom she worked during the project. She provided them with ongoing opportunities for input into the development of fiscal indicators and accepted many of their suggestions. MCPS staff has carefully reviewed drafts of the report and provided specific suggestions and comments regarding the MCPS data used. Staff agrees that the findings and recommendations are appropriate.

The members of the Board of Education and I look forward to working with the County Council as this report is reviewed and discussed. I believe the development of useful fiscal indicators for MCPS and other county agencies will be an ongoing process that will prove most valuable. The goal will be to ensure that MCPS remains the high performing school district that our constituents expect and deserve.

Respectfully,



Jerry D. Weast, Ed.D.  
Superintendent of Schools

JDW:vnb

Copy to:

Members of the Board of Education  
Executive Staff  
Mr. Ikheloa

Office of the Superintendent of Schools

850 Hungerford Drive, Room 122 • Rockville, Maryland 20850 • 301-279-3381

(17)

## Chapter IV: Key Fiscal Indicators for the MCPS Operating Budget

The fiscal indicators outlined in this chapter together provide an overview of MCPS' operating budget. The next page lists the 12 proposed indicators, which are organized into three general categories: Revenues and Expenditures; Major Budget Components and Cost Drivers; and Per Student Expenditures. The write-up of each fiscal indicator includes:

- An introductory description of what it measures;
- One or more data tables with accompanying graphics;
- Bullet points that highlight the major findings;
- Recommended issues and questions for Council discussion; and
- Caveats regarding the data used for that indicator and/or how it should be interpreted.

**Sources of data.** MCPS' published operating and capital budget documents served as the primary source of MCPS data. A number of indicators employ information from other MCPS data sources, including the *Program Budget* and *Schools at a Glance*. The two sources of comparative information were on-line databases compiled by the Washington Area Boards of Education and the Maryland State Department of Education. The Appendix contains a complete list of resources used by OLO in compiling the indicators.

**Time frames.** Nine of the 12 indicators include five years of data, FY03 through FY07. Alternative time frames were used for some indicators based on availability of MCPS data or for the purpose of making comparisons with data provided by an outside source.

**Actual vs. budgeted data.** Unless otherwise noted, expense, enrollment and position data for previous fiscal years (through FY06) represent actual expenditures, enrollment, and positions. FY07 data are budgeted expenditures, as published in MCPS' FY07 approved operating budget. Because actual and budgeted numbers represent different types of information, the data tables describing expenditures calculate percent change for the four years of actuals, FY03 through FY06. Because the revenue amounts for FY07 are no longer "estimated," data tables describing revenue changes over time use five years of data, FY03 through FY07.

**Dollars in millions/rounding.** In most cases, the data tables present budget information in millions of dollars. The percent calculations do not always add to 100 due to rounding. The Appendix (© 12) provides additional technical notes on OLO's calculations of per student costs in Indicator 11.

**Summary of student performance targets provided for reference in the Appendix.** As explained earlier, fiscal indicators are defined as quantitative measures related to funding. MCPS has invested considerable effort in identifying and measuring targets for student performance, which are summarized and published in MCPS' strategic plan, *Our Call to Action: Pursuit of Excellence*. The Appendix (©2-8) contains a brief overview of this document and provides data on selected student performance targets from MCPS' most recent strategic plan update.

<b>Category A - Revenues and Expenditures</b>		<b>Begins on Page #</b>
Indicator 1: Total Operating Budget by Revenue Source	This indicator measures MCPS' total annual operating budget and the relative contributions of the different revenue sources that fund the school system. It includes a ranking of Maryland school systems by the percent of their budget supported by local funds.	22
Indicator 2: Sources of Federal and State Revenue	This indicator provides more detail on the sources of State and Federal revenue that fund approximately one-fourth of the MCPS operating budget. It includes trend data on changes in revenue received from Bridge to Excellence, No Child Left Behind, and the Individuals with Disabilities Education Act programs.	25
Indicator 3: Expenditures by State Budget Category	This indicator summarizes MCPS' budget by the major State budget categories. State law requires the County Council to appropriate funds according to these standardized categories defined by the Maryland Department of Education.	29
<b>Category B - Major Budget Components and Cost Drivers</b>		
Indicator 4: Tax Supported Positions, Salaries, and Benefits by Bargaining Unit	This indicator provides data on the size of the MCPS workforce and the costs of salaries and benefits for current employees. Specifically, cost data are provided by bargaining unit in four categories: salaries; social security; group insurance; and retirement.	34
Indicator 5: Starting and Average Salaries for Teachers, Paraeducators, Bus Operators, and Principals	This indicator presents starting and average salary data for four MCPS positions: Teachers (10 month positions); Paraeducators; Bus Operators; and Principals. Added together, these four positions represent about two-thirds of the MCPS workforce. It includes comparative data from other area school systems on starting and average teacher salaries.	39
Indicator 6: Expenditures for Retiree Health Benefits	This indicator contains data on the past and future estimated costs of health benefits for MCPS retirees. It includes: <ul style="list-style-type: none"> <li>FY03-FY07 data on the annual "pay-as-you-go" costs of retiree health benefits paid by MCPS; and</li> <li>MCPS' estimates on FY08-FY12 future costs of retiree health benefits, for both the annual pay-as-you-go expenses and annual contributions to the Retiree Health Trust Fund.</li> </ul>	44
Indicator 7: Multi-Year Costs of Selected MCPS Initiatives	This indicator tracks the annual and cumulative costs of three major MCPS initiatives from FY01 to FY06: <ul style="list-style-type: none"> <li>Class size reduction;</li> <li>Special education investments/least restrictive environment initiatives; and</li> <li>Additional elementary school assistant principals.</li> </ul>	46



<b>Category B - Major Budget Components and Cost Drivers (continued)</b>		<b>Begins on Page #</b>
Indicator 8: Special Education Costs	<p>This indicator tracks the cost of delivering special education and related services (e.g., occupational therapy) to students with disabilities. It shows costs divided into five categories:</p> <ul style="list-style-type: none"> <li>• K-12 special education services;</li> <li>• Early intervention and preschool special education services;</li> <li>• Non-Public placements;</li> <li>• Special education transportation; and</li> <li>• Costs of personnel benefits for staff who deliver special education services and provide transportation to students with disabilities.</li> </ul>	49
Indicator 9: Cost of School Plant Operations, Maintenance, Transportation, and Utilities	<p>This indicator tracks the costs of the following non-instructional costs:</p> <ul style="list-style-type: none"> <li>• School Plant Operations, which includes the routine cleaning of MCPS facilities;</li> <li>• Maintenance, which includes maintenance and repair services;</li> <li>• Transportation, which includes maintaining and operating MCPS' bus fleet;</li> <li>• Utilities, which includes the costs of electricity, heating oil, natural gas, propane, and water and sewer for all MCPS facilities.</li> </ul>	52
<b>Category C - Per Student Expenditures</b>		
Indicator 10: Per Student Cost by Grade Span	<p>This indicator presents average per student cost calculations based on MCPS' calculations of average per student costs for four groups: kindergarteners, elementary students, secondary students, and all students in grades K-12. It also includes a comparison of average per student costs among MCPS and other area school districts.</p>	54
Indicator 11: Per Student Cost by Disability Status	<p>This indicator presents average per student cost calculations for different cohorts of students: students without disabilities; students with disabilities in MCPS schools; and students with disabilities in private placements. OLO also calculates a K-12 per student cost, which adds back in the data on students in private placements.</p>	58
Indicator 12: Per Student Cost by School Type and Service Category	<p>This indicator presents average per student costs for school-based costs by the following "types" of schools:</p> <ul style="list-style-type: none"> <li>• Focus elementary schools (i.e., high poverty schools)</li> <li>• Non-focus elementary schools;</li> <li>• Middle schools;</li> <li>• High schools;</li> <li>• Special schools for students with disabilities.</li> </ul> <p>It includes a ranking of all MCPS elementary schools in descending order of FY06 per student school-based costs.</p>	61

**INDICATOR 2: SOURCES OF FEDERAL AND STATE REVENUE**

This indicator provides more detail on the State and Federal revenue that comprise nearly a quarter of MCPS' operating budget. Most of this revenue is formula driven, based on MCPS enrollment of students eligible for free and reduced-priced meals, special education, and English language acquisition services. Indicator 2 uses actual budget data from FY03–FY06, inclusive of grant supplementals and adopted budget data for FY07.

The five-year trend data track the State revenue that MCPS received each year from:

- Bridge to Excellence, which provides unrestricted aid based on a minimum amount per student plus additional funds based on the number of students who receive special education services, have limited English proficiency, or qualify for free or reduced-price meals;
- State Grant programs, which primarily provide categorical aid to MCPS;
- Transportation aid for students served in general and special education; and
- Reimbursements for Non-Public Placements, which offsets about one-third of MCPS' tuition costs for serving students with disabilities in private schools.

This indicator also tracks the Federal revenue MCPS received each year from:

- No Child Left Behind (NCLB) funding, which includes Compensatory Education - Title I, Improving Teacher Quality - Title IIA; Technology - Title IID; English Language Acquisition - Title III, Safe and Drug Free Schools - Title IV, Innovative Programs - Title V and American Indian Education - Title VII;
- Individuals with Disabilities Education Act (IDEA) funding for special education;
- Medical Assistance Program, which provides Medicaid reimbursement to MCPS for educational related expenses for students with disabilities from low-income households;
- Head Start and Other Programs, which include Adult Education, Vocational Education, Impact Aid, and other federally-funded programs.

## Category A – Revenues and Expenditures

**Table 7: Sources of State and Federal Revenue, FY03-FY07**

Revenue Source/Program	FY03	FY04	FY05	FY06	FY07	Change FY03 to FY07	
<b>State of Maryland</b>	(\$ in millions)					\$	%
Bridge to Excellence	157.7	214.0	232.7	263.3	294.6	136.9	86.8
State Grant Programs	49.4	9.0	5.5	1.6	1.3	-48.1	-97.4
Transportation	17.5	24.2	26.2	25.9	28.3	10.8	61.7
Non-Public Placements	11.6	10.3	11.0	11.0	11.3	-0.3	-2.6
<b>Total State Revenue</b>	<b>\$236.2</b>	<b>\$257.5</b>	<b>\$275.3</b>	<b>\$301.8</b>	<b>\$335.4</b>	<b>\$99.2</b>	<b>42.0%</b>
<b>Federal Government</b>						\$	%
No Child Left Behind (NCLB)	21.9	20.6	24.1	26.3	28.7	6.8	31.1
Special Education (IDEA)	18.7	21.5	25	27.4	27.4	8.7	46.5
Medical Assistance Program	4.1	4.3	5.0	4.8	4.2	0.1	2.4
Head Start	3.0	3.2	3.2	3.3	3.3	0.3	10.0
Other Programs	8.7	13.3	12.8	1.8	1.5	-7.2	-82.8
<b>Total Federal Revenue</b>	<b>\$68.0</b>	<b>\$75.1</b>	<b>\$83.4</b>	<b>\$77.2</b>	<b>\$79.6</b>	<b>\$11.6</b>	<b>17.1%</b>

This indicator further identifies the amounts of State (Bridge to Excellence) and Federal (NCLB and IDEA) revenue that is generated by MCPS' special needs population. The data provided in Table 8 (next page) begin in FY04 because this is the first year that State funding under Bridge to Excellence allocated additional dollars to school systems based on their numbers of students eligible for free and reduced-price meals, English language acquisition services, and special education. Before FY04, the State awarded categorical rather than unrestricted funds to MCPS to help address the educational needs of these student groups.

The additional State dollars that MCPS receives are allocated through three funding streams listed in Table 8 (i.e. Compensatory Education, Limited English Proficiency, Special Education). MCPS is allowed to use this revenue for all students rather than exclusively for students eligible for compensatory, bilingual, or special education services. There is, however, an expectation that local school districts will use at least as much as what was awarded under Bridge to Excellence to meet the needs of students with special needs. In comparison, the Federal revenues listed below offer targeted categorical aid to eligible students.<sup>1</sup>

<sup>1</sup> OLO recognizes that MCPS uses some of its Federal Title I (i.e. compensatory education) revenue to fund school-wide programs that support all learners. These school-wide programs are categorical in that they can only be implemented in high poverty schools.

**Table 8: State and Federal Revenue Tied to Students with Special Needs, FY04-FY07**

Revenue Source/Program	FY04	FY05	FY06	FY07	Change FY04 to FY07	
<b>State- Bridge to Excellence</b>	<b>(\$ in millions)</b>				<b>\$</b>	<b>%</b>
Compensatory Education	20.2	35.5	45.9	58.1	37.9	187.6
Limited English Proficiency	16.2	18.6	22.7	28.4	12.2	75.3
Special Education	11.3	16.1	20.6	27.1	15.8	139.8
<b>Additional revenue generated by students with special needs</b>	<b>\$47.7</b>	<b>\$70.2</b>	<b>\$89.2</b>	<b>\$113.6</b>	<b>\$65.9</b>	<b>138.2</b>
<b>Federal – NCLB and IDEA</b>					<b>\$</b>	<b>%</b>
Compensatory Education -Title I	13.6	15.8	18.7	20.1	6.5	47.8
English Language Acquisition -Title III	1.7	2.3	2.7	2.9	1.2	70.6
Special Education (IDEA)	21.5	25.0	27.4	27.4	5.9	27.4
<b>Additional revenue for students with special needs programs</b>	<b>\$36.8</b>	<b>\$43.1</b>	<b>\$48.8</b>	<b>\$50.4</b>	<b>\$13.6</b>	<b>37.0</b>

**Key Findings:**

- Increased State funding through the Bridge to Excellence initiative accounted for 90 percent<sup>2</sup> of the \$99.2 million increase in State revenues that MCPS received between FY03 and FY07. According to MCPS, \$39.5 million of this amount represents the transition from categorical to unrestricted aid. The remainder was due to the working out of the Foundation formula and to enrollment and wealth changes that occurred during this period. The other major increase (\$10.8 million) in State revenue was for student transportation. These increases were offset by a reduction (between FY03 and FY04) in programs financed through State grants that funded categorical programs by the State.
- MCPS' receipt of Bridge to Excellence funds tied to its special needs population increased by \$65.9 million (138%) from \$47.7 million in FY04 to \$113.6 million in FY07. In particular, MCPS' receipt of State aid tied to its percent of students eligible for free and reduced-priced meals (e.g., listed as Compensatory Education funds on the table) almost tripled from \$20.2 million in FY04 to \$58.1 million in FY07.
- MCPS' receipt of Federal revenue tied to its special needs population increased by \$13.6 million (37%) from \$36.8 million in FY04 to \$50.4 million in FY07. The most significant increase occurred in Federal funding for Title I (e.g. Compensatory Education), which increased by \$6.5 million (48%) from \$13.6 million in FY04 to \$20.1 million in FY07.

<sup>2</sup> The increase in Bridge to Excellence revenue is partially due to offsets in categorical state aid. This change in Bridge to Excellence revenue is compared to the increase in total state revenue.

**Recommended Issues/Questions for Council Discussion**

As reviewed in Indicator 1, in FY07, State and Federal revenue funds about 22 percent of MCPS' operating budget. OLO recommends the Council should annually monitor and understand the changes in these different streams of State and Federal dollars. An increase or decrease in non-County funds often directly influences MCPS' requests for County funds.

Much of the State and Federal revenue that MCPS receives is to assist with meeting the educational needs of low-income students, English language learners, and students with disabilities. OLO recommends the Council ask MCPS about the connection between recent increases in State or Federal funding and the expansion of specific programs designed to support improved achievement for these students.

**Suggested Questions**

1. To what extent do changes in student population account for changes in non-County revenue? What other factors account for revenue changes?
2. What does MCPS already know about the future trends in funding from the State and Federal governments, for example Bridge to Excellence funding in FY08? What plans does the agency have to respond to these changes?
3. MCPS receives additional Federal and State revenue in both unrestricted and earmarked funds to address the educational needs of low-income students, students with disabilities and English language learners. How do these non-County revenues compare to the overall costs of serving students with special needs? What revenues are anticipated in the future?

**Caveats on Indicator 2 Data**

Indicator 2 excludes State and Federal revenue that MCPS receives and deposits in Enterprise and Special Funds. The largest sum excluded is the State and Federal portions of funding for the School Food Service Fund, which in FY07 will total about \$16.3 million. For an understanding of trends in Federal and State Revenue overall, data on Enterprise and Special funds are needed.

Additionally, the Council should understand that the non-County revenue that MCPS receives based on its populations of low-income students, students with disabilities and English language learners are not all earmarked to exclusively serve these student groups. Federal and State policymakers increasingly understand the value of investing in school-wide strategies to improve the performance of students with special needs. As such, Bridge to Excellence dollars, and Title I funding at the school level, can be used to support both school-wide and targeted programs.

## Category B – Major Budget Components and Cost Drivers

### INDICATOR 4: TAX SUPPORTED POSITIONS, SALARIES, & BENEFITS BY BARGAINING UNIT

This indicator provides data on the size of the tax supported workforce and the related cost of salaries and benefits. Tax supported expenditures are costs supported by unrestricted local and state tax dollars as compared to earmarked grants and enterprise funds. Tax supported positions represent approximately 90 percent of the MCPS workforce. Data for this indicator are presented for tax supported positions overall and for each of MCPS' three bargaining units:

- Montgomery County Education Association (MCEA);
- Service Employees International Union Local 500 (SEIU); and
- Montgomery County Association of Administrative and Supervisory Personnel (MCAASP)

Indicator 4 tracks the tax supported cost of salaries and benefits, number of positions, and average cost of salaries/benefits per position. Data are provided on four components of compensation for active employees: salaries; Social Security; group insurance (which includes medical, dental, vision, prescription drug, and life insurance); and retirement. The costs reported for benefits represent MCPS' costs, exclusive of the employees' contributions.

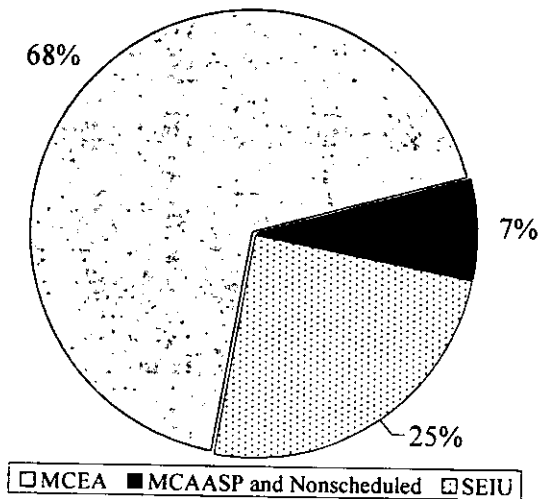
Indicator 4 provides data back to FY04, the first year that MCPS started keeping data on tax supported salaries and benefits by bargaining unit. This indicator reports actual salary and filled positions rather than budgeted salaries and positions approved by the Council. The table below lists the positions represented by each employee group. The tables and charts on the following pages incorporate data on the 22 "nonscheduled" employees into the MCAASP totals.

**Table 11: Tax Supported Positions by Bargaining Unit, FY07**

Group	Positions Represented	FY07 Filled Positions (FTEs)	Percent of Workforce
Montgomery County Education Association (MCEA)	Teachers, Instructional Specialists, Counselors, Pupil Personnel Workers, Speech Pathologists, Psychologists, and Social Workers	11,494.3	57.4
Service Employees International Union Local 500 (SEIU)	Paraeducators and Food Service, Building Service, Maintenance, Transportation (including Bus Operators and Mechanics), Security, Office, and Media/Technology Employees	7,806.8	39.0
Montgomery County Association of Administrative and Supervisory Personnel (MCAASP)	Central Office Administrators, Principals, Assistant Principals, and Student Support Specialists	705	3.5
Nonscheduled Employees	Superintendent; Chief Operating Officer; Deputy, Associate, and Community Superintendents	22	0.1
<b>TOTAL</b>		<b>20,028.1</b>	<b>100%</b>

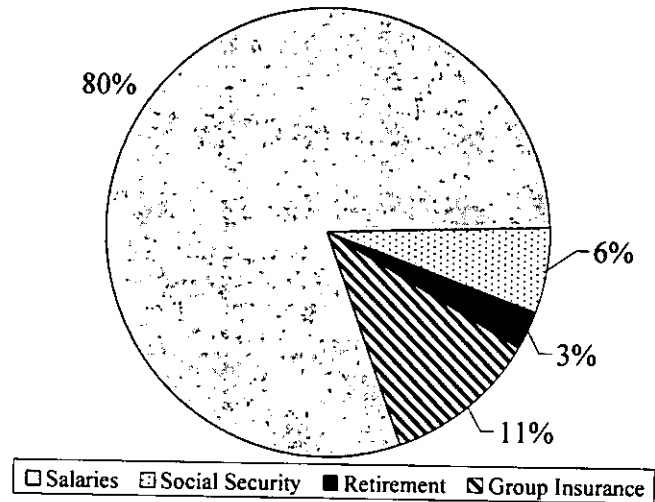
## Category B – Major Budget Components and Cost Drivers

**Exhibit 5: Costs of Tax Supported Salaries and Benefits by Bargaining Unit, FY07\***



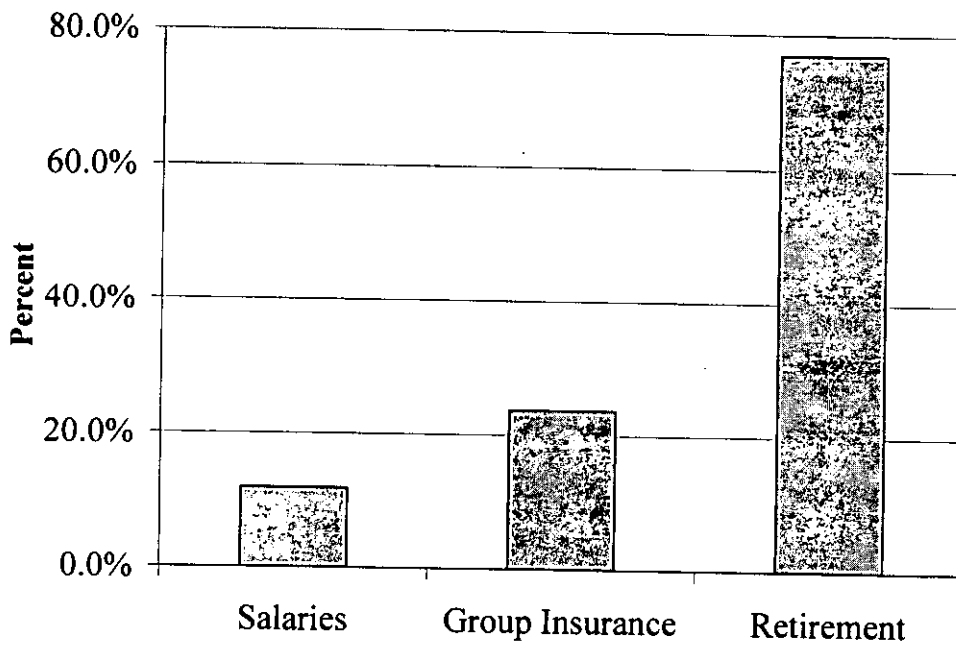
\* FY07 figures based on budget request.

**Exhibit 6: Distribution of Tax Supported Compensation Costs, FY07\***



\* FY07 figures based on budget request.

**Exhibit 7: Percent Increase in the Costs of Tax Supported Salaries, Group Insurance, and Retirement Contributions, FY04-FY06**



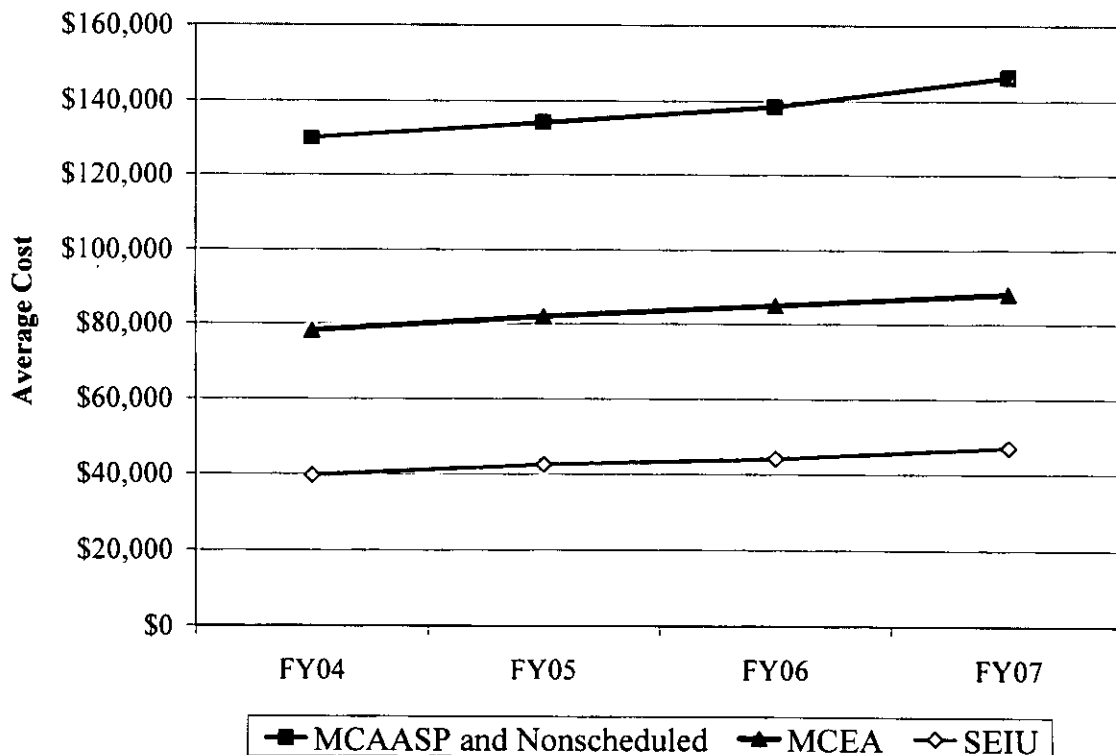
## Category B – Major Budget Components and Cost Drivers

**Table 12: Tax Supported Salaries and Benefits by Bargaining Unit, FY03-FY07**

	FY04	FY05	FY06	FY07*	\$ Change FY04-06	% Change FY04-06
<b>Salaries and Benefits for Tax Supported MCPS Workforce (\$ in millions)</b>						
Salaries	\$1,000.0	\$1,058.5	\$1,118.5	\$1,191.2	\$118.5	11.9%
Social Security	\$75.4	\$79.0	\$83.6	\$89.2	\$8.2	10.9%
Group Insurance	\$116.3	\$134.2	\$144.0	\$164.0	\$27.7	23.8%
Retirement	\$19.9	\$27.7	\$35.2	\$42.6	\$15.3	76.9%
<b>TOTAL</b>	<b>\$1,211.6</b>	<b>\$1,299.4</b>	<b>\$1,381.2</b>	<b>\$1,487.0</b>	<b>\$169.6</b>	<b>14.0%</b>
<b>Salaries and Benefits by Bargaining Unit (\$ in millions)</b>						
MCEA members	\$842.2	\$900.1	\$953.5	\$1,013.6	\$111.3	13.2%
SEIU members	\$287.3	\$313.1	\$333.0	\$367.0	\$45.7	15.0%
MCAASP and Nonscheduled	\$82.1	\$86.2	\$94.8	\$106.4	\$12.7	15.5%
<b>TOTAL</b>	<b>\$1,211.6</b>	<b>\$1,299.4</b>	<b>\$1,381.2</b>	<b>\$1,487.0</b>	<b>\$169.6</b>	<b>14.0%</b>

\* FY07 figures based on budget request rather than adopted budget.

**Exhibit 8: Average Cost per Tax Supported FTE by Bargaining Unit, FY04-07**





## Category B – Major Budget Components and Cost Drivers

**Table 13: Tax Supported Positions and Average Cost per FTE by Bargaining Unit, FY03-FY07**

	FY04	FY05	FY06	FY07*	Change FY04-06	% Change FY04-06
<b>Number of Filled Positions (FTEs) by Bargaining Unit</b>						
MCEA	10,778.6	10,972.5	11,213.20	11,494.3	434.6	4.0%
SEIU	7,254.7	7,368.4	7,553.50	7,806.8	298.8	4.1%
MCAASP and Nonscheduled	632.0	642.0	685.0	727.0	53.0	8.4%
Total Positions/FTE's	18,665.3	18,982.9	19,451.70	20,028.1	786.4	4.2%
<b>Average Cost per FTE by Bargaining Unit</b>						
MCEA	\$78,136	\$82,035	\$85,030	\$88,181	\$6,894	8.8%
SEIU	\$39,608	\$42,489	\$44,080	\$47,014	\$4,472	11.3%
MCAASP and Nonscheduled	\$129,886	\$134,247	\$138,410	\$146,329	\$8,524	6.6%

\* FY07 figures based on budget request rather than adopted budget.

### Key Findings:

- The FY07 MCPS tax supported workforce consists of 20,028 filled positions (FTEs). MCEA represents 57 percent of the workforce; SEIU represents 39 percent of the workforce; and MCAASP represents 4 percent. Only 22 MCPS staff members are not represented by a bargaining unit.
- The \$1.5 billion that MCPS is spending this year (FY07) on salaries and benefits for active employees is an increase of \$275.4 million compared to FY04.
- Between FY04 and FY06, the costs of the different components of tax supported salaries and benefits increased at notably different rates. Salaries increased 12 percent; group insurance costs increased 24 percent; and retirement contributions increased 77 percent.
- Between FY04 and FY06, the total number of MCPS tax supported positions increased by 786.4 FTEs. About 55 percent of these were positions represented by MCEA and 38 percent were positions represented by SEIU. The balance (7%) are represented by MCAASP.
- In FY07, the average cost per MCEA position is \$88,181. The average cost per SEIU position is \$47,014, and the average cost per MCAASP position is \$146,329. Between FY04 and FY06, the average cost per MCEA and MCAASP position increased 9 percent and 7 percent, respectively. The average cost per SEIU position increased 11 percent.

### Recommended Issues/Questions for Council Discussion

Salaries and benefits for tax supported employees represent the biggest portion of MCPS' operating budget and the single largest cost driver of the agency's annual budget increases. As a result, OLO recommends that the Council invest time in becoming familiar with the various components of Indicator 4, paying particular attention to understanding how the different elements of compensation (e.g., salary, group insurance and retirement) drive MCPS' annual requests for additional funds.

Adjustments to tax supported salaries and benefits reflect changes in the costs associated with funding MCPS' negotiated agreements for current employees, as well as the costs of hiring new staff. OLO recommends the Council review how much of the increase in MCPS' budget from year to year is due to higher costs associated with current employees vs. increased expenditures associated with expanding the workforce.

### Suggested Questions

1. Of the increases in the costs of tax supported positions since FY04, what proportion is explained by higher costs of salaries/benefits for the current workforce vs. the cost of adding additional staff? Does this answer differ by bargaining unit?
2. MCPS awards step increases based on increasing experience. Are changes in productivity associated with step increases? If so, what changes/improvements in employee productivity have resulted from the increasing cost of salaries and benefits associated with step increases since FY04? What changes are anticipated in the future?
3. What explains the 77 percent increase in the County's retirement contributions for active tax supported employees between FY04 and FY06? What are MCPS' estimates of the agency's retirement costs for the next three to five years?
4. What strategies has MCPS undertaken in recent years to contain costs of employee benefits and with what effect? Are there additional strategies planned going forward?

### **Caveats on Indicator 4 Data**

Indicator 4 excludes the cost of salaries and benefits for MCPS positions that are supported through budgeted grants and enterprise funds because FY04 to FY06 data for this employee group was not readily available. More specifically, positions, salaries and benefits for employees supported with Food Service funds are excluded for this indicator. According to MCPS, approximately 10 percent of its workforce is employed in non-tax supported positions. As such, additional data is needed to consider trends in the cost of MCPS salaries and benefits overall.

Additionally, the annual costs of tax supported salaries/benefits underestimates the total costs of employee compensation because it excludes the liability associated with retiree health benefits as well as the costs of other employee benefits, such as tuition assistance. It also does not capture the total public sector cost of benefits because it excludes the State's significant contribution to the annual cost of teacher pensions.

## Category B – Major Budget Components and Cost Drivers

### INDICATOR 5: STARTING AND AVERAGE SALARIES FOR TEACHERS, PARAEDUCATORS, BUS OPERATORS, AND PRINCIPALS

This indicator tracks five years of data (FY03–FY07) on starting and average salaries for four MCPS positions: teachers, paraeducators, bus operators, and principals. Added together, these four positions represent about two-thirds of the MCPS workforce. This indicator describes data on actual salaries and positions rather than budgeted data.

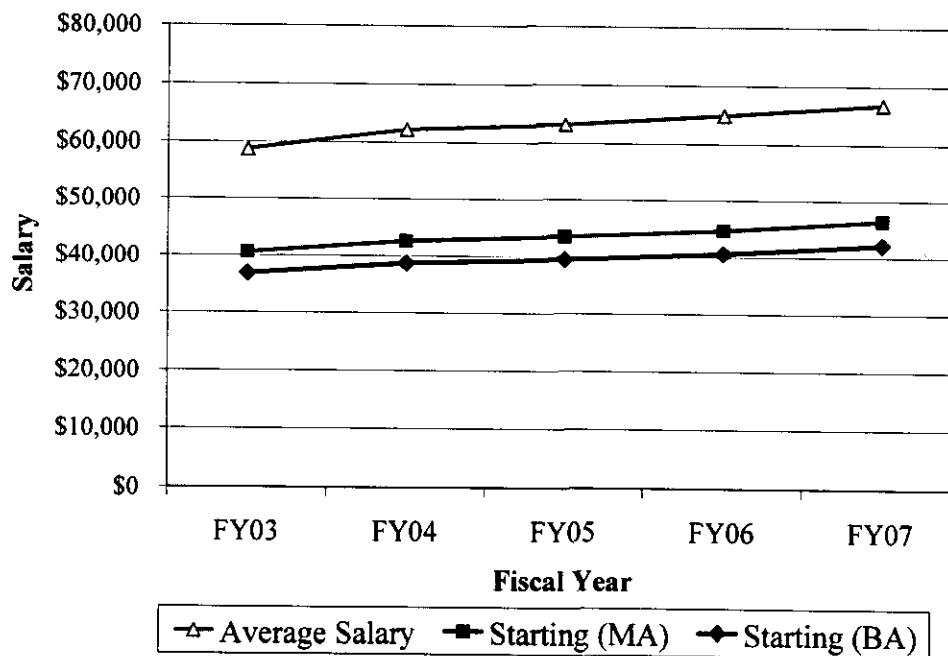
Indicator 5 also provides comparative data on FY06 teacher salaries, as published by the Washington Area Boards of Education and the Maryland State Department of Education.

**Table 14: Description of Selected MCPS Positions, FY07**

Position	Pay Grades	Salary Range*	Number of FTE's
Teachers – 10-month positions	A-D	\$42,176 to \$92,107	11,062.0
Paraeducators – Regular and special education; 10-month positions	11-12	\$23,648 to \$34,336	1,660.5
Bus Operators – 10-month positions	9	\$21,858 to \$29,579	995.4
Principals – Elementary, middle, and high school; 12-month positions	O-Q	\$91,484 to \$130,521	193.0

\* Each position may earn additional longevity pay that is not reflected in the salary range. See page 43 for details.

**Exhibit 9: Starting and Average MCPS Teacher Salaries, FY03-FY07**



## Category B – Major Budget Components and Cost Drivers

**Table 15: Starting and Average Salaries and Number of Positions (Full Time Equivalents) for Selected MCPS Positions, FY03-FY07\***

	FY03	FY04	FY05	FY06	FY07	Change FY03-FY06	
						#	%
Teachers							
Starting Salary							
Bachelor's Degree	\$36,841	\$38,683	\$39,457	\$40,542	\$42,176	\$3,701	10.0%
Master's Degree	\$40,588	\$42,617	\$43,468	\$44,663	\$46,463	\$4,075	10.0%
Average Salary	\$58,758	\$62,156	\$63,131	\$64,852	\$66,740	\$6,094	10.4%
Number of Positions	10,363.3	10,394.5	10,555.0	10,785.4	11,062.0	422.1	4.1%
Paraeducators							
Starting Salary							
Regular	\$21,290	\$21,842	\$22,145	\$22,635	\$23,648	\$1,345	6.3%
Special Education	\$22,142	\$22,688	\$23,030	\$23,538	\$24,736	\$1,396	6.3%
Average Salary	\$26,566	\$26,863	\$29,159	\$30,366	\$31,813	\$3,800	14.3%
Number of Positions	1,401.5	1,464.8	1,520.4	1,575.9	1,660.5	174.4	12.4%
Bus Operators							
Starting Salary	\$19,552	\$20,043	\$20,339	\$20,787	\$21,858	\$1,235	6.3%
Average Salary	\$25,066	\$25,173	\$26,275	\$26,892	\$28,082	\$1,826	7.3%
Number of Positions	1,008.1	986.8	991.9	993.2	995.4	-14.9	-1.5%
Principals**							
Starting Salary							
Elementary Schools	\$81,800	\$84,254	\$85,939	\$87,758	\$91,484	\$9,684	11.8%
Middle Schools	\$85,890	\$88,467	\$90,236	\$93,243	\$97,202	\$7,353	8.6%
High Schools	\$92,450	\$95,224	\$97,128	\$99,071	\$103,034	\$6,621	7.2%
Average Salary	\$107,656	\$109,600	\$112,505	\$114,251	\$114,123	\$6,595	6.1%
Number of Positions	184.0	184.0	182.0	188.0	193.0	4.0	2.2%

\* This table describes actual salaries and positions filled by full time equivalents rather than budgeted salaries or positions.

\*\* Principals not included: Edison High School of Technology, Principals at Special Schools and Principals on Special Assignment

**Category B – Major Budget Components and Cost Drivers**
**Table 16: Maryland and Metropolitan Area School Systems Starting and Average Teacher Salary, FY06**

School District	Starting Salary Rank	Starting Teacher Salary	Average Salary Rank	Average Teacher Salary
<b>Maryland State Department of Education</b>				
Montgomery County	1	\$40,542	1	\$63,930
Charles County	2	\$38,685	13	\$50,526
Calvert County	3	\$38,500	2	\$59,307
St. Mary's County	4	\$38,406	5	\$53,404
Prince George's County	5	\$38,307	4	\$53,976
Talbot	6	\$38,100	14	\$50,427
Washington	7	\$37,708	18	\$49,908
Howard County	8	\$37,653	3	\$56,898
Baltimore County	9	\$37,206	10	\$52,536
Queen Anne's County	10	\$37,000	20	\$48,533
Cecil County	11	\$36,862	17	\$49,948
Harford County	12	\$36,374	16	\$50,014
Frederick County	13	\$36,351	6	\$53,271
Anne Arundel County	14	\$36,339	11	\$52,453
Dorchester County	15	\$36,207	7	\$53,054
Carroll County	16	\$36,051	8	\$52,827
Worcester	17	\$35,903	12	\$51,014
Baltimore City	18	\$35,672	15	\$50,092
Wicomico	19	\$35,320	19	\$49,714
Caroline County	20	\$35,183	21	\$48,345
Kent County	21	\$35,050	9	\$52,792
Somerset	22	\$32,608	24	\$45,973
Garrett County	23	\$32,144	22	\$47,858
Allegany County	24	\$31,579	23	\$47,173
<b>Washington Area Boards of Education</b>				
Arlington County	1	\$40,816	1	\$66,295
Montgomery County	2	\$40,542	2	\$64,725
Fairfax County	3	\$40,000	4	\$60,201
Loudon County	4	\$39,600	6	\$56,932
Prince George's County	5	\$39,438	8	\$52,855
Manassas City	6	\$37,933	7	\$56,063
Falls Church	7	\$37,667	5	\$59,998
Prince William County	8	\$37,615	9	\$51,607
Alexandria City	9	\$35,563	3	\$62,536

## Category B – Major Budget Components and Cost Drivers

### Key Findings:

- Approximately 11,000 teachers are currently employed by MCPS and account for approximately 53 percent of the school system's workforce. Between FY03 and FY06, MCPS added 422 teachers to the payroll, with a larger number added in each subsequent year: 31 in FY04, 161 in FY05, and 230 in FY06.
- Over the past four years, the number of paraeducator positions (FTE's) in the MCPS workforce grew from 1,401.5 in FY03 to 1,575.9 in FY06, an increase of 12 percent. Comparatively, the number of bus operators decreased by two percent from 1,008 in FY03 to 993 in FY06.
- From FY03 to FY06, the starting salary for teachers increased 10 percent, from \$36,841 to \$40,542 for teachers with a Bachelor's degree; and from \$40,588 to \$44,663 for teachers with a Master's degree. Starting salaries for principals increased 7-12 percent, depending on grade. Starting salaries for paraeducators and bus operators increased about six percent.
- The average teacher salary increased 10 percent, from \$58,758 to \$64,852 between FY03 and FY06. In comparison, the average salary for bus drivers increased seven percent, the average salaries for principals increased six percent, and average salaries for paraeducators increased about 14 percent.
- There are two sources of readily available data on teacher salaries in the region: the Washington Area Boards of Education (WABE) and the Maryland State Department of Education (MSDE). WABE data published for FY06 rank Montgomery County's starting and average teacher salaries as the second highest among the nine reporting school districts. MSDE data published for FY06 rank Montgomery County's teacher salaries as the highest in Maryland.
- WABE data for FY06 rank Fairfax County third, right below Montgomery County. Specifically, the starting teacher's salary in Montgomery County was \$542 higher than the starting teacher's salary in Fairfax County; the average teacher's salary in Montgomery County was \$4,524 higher than the average teacher's salary in Fairfax.

### Recommended Issues/Questions for Council Discussion:

OLO recommends the Council use the data in Indicator 5 to provide another vantage point to understand increases in MCPS' compensation costs. Changes in starting and average salaries are a function of multiple factors, including pay adjustments contained in MCPS' bargaining agreements, the number of approved positions (FTEs), the number of experienced teaching staff that command higher salaries than new hires, and turnover. In terms of turnover, changes over time also reflect where new staff members start on position salary scales.

## Category B – Major Budget Components and Cost Drivers

### Suggested Questions

1. Which school districts are MCPS' strongest competitors for high quality staff? Does this vary depending on the type of position?
2. How many qualified applicants does MCPS receive for each posted vacancy for the four positions considered here? Has this number changed in recent years?
3. How do the changes in both starting and average salaries compare to the rate of inflation since FY03? What accounts for the higher level of average salary increase among teachers and bus drivers compared to principals and paraeducators?
4. What is the annual level of turnover for each position group? To what extent does turnover help explain the trends in average salaries? Have increases in average salaries helped to mediate problems of turnover? In particular, among teachers, what impact, if any, have increases in average salaries had on reducing turnover in high need areas such as special education and English as a second language?
5. What proportion of staff across the four position categories are near or at the top of scale? What percent of these employee groups are expected to retire with the next 5 years? Alternately, what proportions of staff by position are near or at the bottom of their respective position's scale?

### **Caveats on Indicator 5 Data**

The schedules of salary ranges for positions referenced by this indicator do not reflect the end range for those earning longevity pay. Principals earn \$1,500 annually in longevity pay after 5 years of consecutive MCPS service and \$3,000 after 10 years. Teachers at Step 19 for six years earn an annual longevity payment of 2.25 percent. And SEIU members that include bus operators and paraeducators receive longevity pay based on seniority after 10, 14, and 18 years. To understand salaries at the highest end of the salary range, additional data are needed.

The Council should also note that salary is only one component of employee compensation. Comparing salaries across jurisdictions is not the same as comparing total compensation. Further, salary data alone does not capture changes in tenure or scope of responsibilities for the positions considered that may help to explain changes over time.

Additionally, because average salary calculations are influenced by so many factors (e.g., number of employees, longevity of employees, starting salaries of new hires, turnover), interpreting changes over time requires substantial analysis. In some cases, changes in average salaries across fiscal years may be analogous to comparing "apples to oranges."

## Category B – Major Budget Components and Cost Drivers

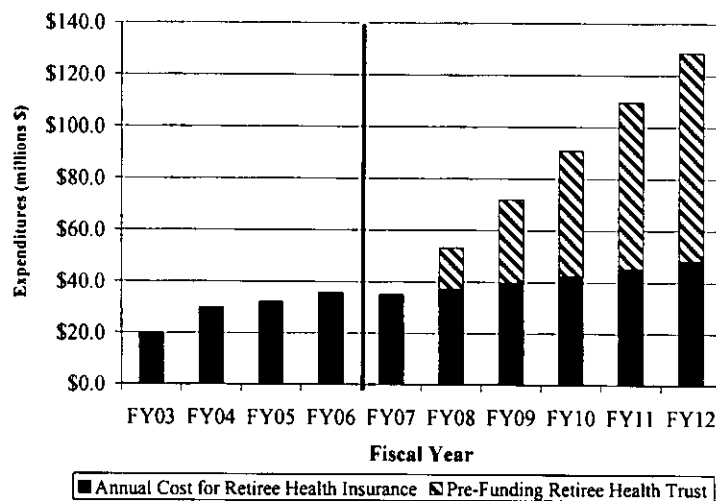
### INDICATOR 6: EXPENDITURES FOR RETIREE HEALTH BENEFITS

This indicator tracks the costs of health benefits provided to eligible MCPS retirees and their dependents. Indicator 6 includes:

- Annual FY03-FY07 pay-as-you-go costs of MCPS retiree health benefits; and
- Estimated annual FY08-FY12 pay-as-you-go costs of MCPS retiree health benefits plus contributions to the MCPS Retiree Health Trust Fund.

Beginning in FY08, similar to other County-funded agencies, MCPS plans to make payments into a Retiree Health Trust Fund, which responds to Government Standards Accounting Board standards for the disclosure of the long-term liability related to retiree health benefits. Between FY08-FY12, MCPS plans to increase its annual Trust Fund contributions to \$128.8 million; this amount (\$128.8 million) then becomes the annual contribution MCPS must make going forward to meet its future liability, estimated (as of July 2006) to total \$1.3 billion.

**Exhibit 10: MCPS Retiree Health Benefits Actual Costs (FY03-FY06) and Estimated Costs (FY07-FY12)**



**Table 17: Retiree Health Benefit Costs, FY03-FY12**  
(\$ in millions)

	FY03	FY04	FY05	FY06	FY07
Cost of Retiree Health Benefits	\$19.7	\$29.9	\$32.2	\$35.9	\$35.1
Cost of All Benefits (for active and retired)	\$233.3	\$266.4	\$302.2	\$328.4	\$371.5
Retiree Health as Percent of All Benefits	8.4%	11.2%	10.7%	10.9%	9.4%
Number of Retirees	5,753	5,969	6,199	6,399	6,595
Estimated Future Costs	FY08	FY09	FY10	FY11	FY12
Estimated Annual Cost of Retiree Health Benefits and Trust Fund Contribution	\$53.2	\$71.9	\$90.7	\$109.6	\$128.8
Estimated Cost of Retiree Health Insurance	\$37.1	\$39.7	\$42.4	\$45.2	\$48.3
Estimated Trust Fund Contribution	\$16.1	\$32.2	\$48.3	\$64.4	\$80.5



## Category B – Major Budget Components and Cost Drivers

### Key Findings:

- Between FY03 and FY06, the annual costs of MCPS' retiree health benefits increased 82 percent from 19.7 to 35.9 million. During this time, the costs of retiree health, as a percent of the total cost of benefits (for active and retired employees), increased from 8 to 11 percent.
- MCPS' annual costs related to retiree health benefits will rise substantially in the coming years due to increasing costs of health care plus annual MCPS payments into the Retiree Health Trust Fund. It is estimated that MCPS' annual expenses related to retiree health will more than double, increasing from \$53.2 million in FY08 to \$128.8 million in FY12.
- The Council appropriates funds for MCPS' employee benefits in the State budget category titled "Fixed Costs." The increasing costs of retiree health benefits will mean that the category of Fixed Costs will consume a growing percent of MCPS' total operating budget.

### Recommended Issues/Questions for Council Discussion

The increasing costs of retiree health benefits, including the payments required to fund the Retiree Health Trust, is not an issue that is unique to the school system. OLO recommends that the same questions that the Council poses to MCPS about controlling the future costs of retiree health benefits should be posed to all of the County-funded agencies.

### Suggested Questions

1. How many current retirees and dependents are eligible for retiree benefits? What proportion participates in MCPS' current plan? What level of participation is anticipated in the future?
2. How are the levels and packages for retiree benefits determined? How many years of service are required for an employee to be eligible for retiree health benefits? For dependents?
3. What strategies has MCPS undertaken in recent years to control the agency's costs of retiree health benefits? What has been the impact of these strategies?
4. How has knowledge of MCPS' anticipated large annual payments into the Retiree Health Trust Fund influenced the way MCPS is developing its annual budget request?

### Caveats on Indicator 6 Data

This indicator is based on a five year ramp up for MCPS to make its annual required contribution of \$128.8 million into the Retiree Health Trust Fund. If MCPS' shortens or extends its ramp up period, then the estimated future costs would change. Estimates of future retiree health costs are also based on assumptions about the number of beneficiaries and the future costs of health care. A change in assumptions can make a significant change in actual costs.

Additionally, as noted above, annual costs of retiree health benefits should not be confused with MCPS' long-term liability associated with providing these benefits. The Actuarial Accrued Liability (the best available measure of MCPS' future obligations) shows that, as of July 1, 2006, MCPS' liability for providing future retiree health benefits is \$1.3 billion.

## Category B – Major Budget Components and Cost Drivers

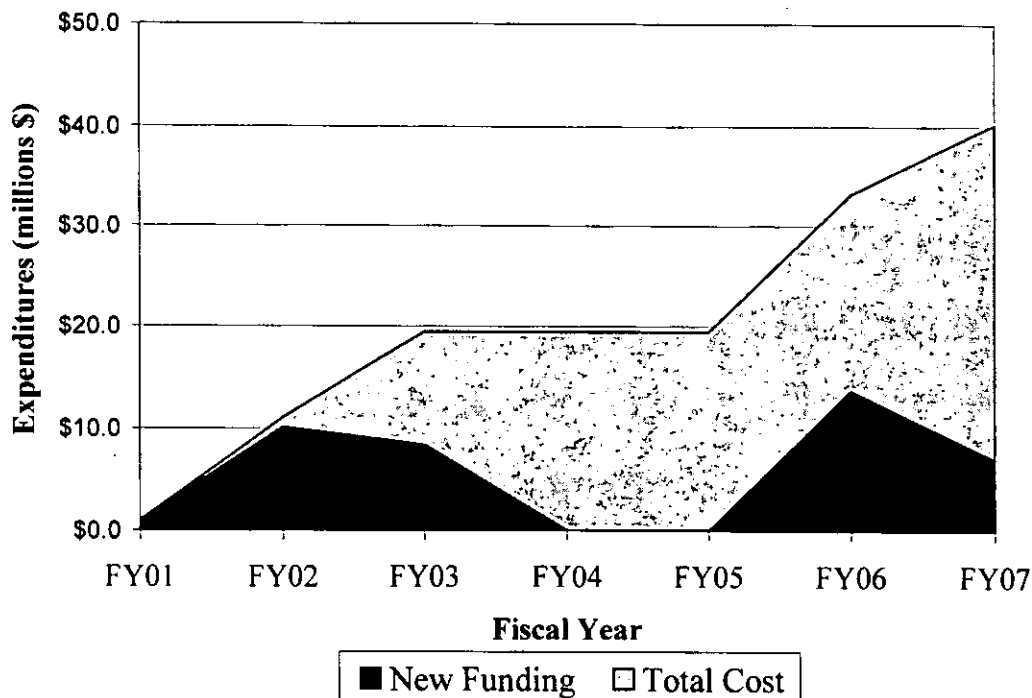
### INDICATOR 7: MULTI-YEAR COSTS OF SELECTED MCPS INITIATIVES

This indicator estimates the costs of three major MCPS initiatives implemented since FY01. In addition to reflecting what it has cost to implement selected MCPS priorities, this indicator demonstrates how multi-year initiatives carry both “new” and “continuing” program costs. The three programs tracked by Indicator 7 are:

- **Class size reduction**, which added 523 positions to MCPS between FY01 and FY07 to reduce class sizes for elementary and secondary schools, grades K-2 and special education, and to reduce the number of combination classes;
- **Special education enhancements**, which added 238 positions between FY01 and FY07 to improve special education programming and access to the least restrictive environment for students with disabilities;
- **Elementary school assistant principals**, which added 33 new assistant principal positions between FY02 and FY07 for elementary schools that did not have one before.

For each initiative, Indicator 7 provides data on new funds appropriated annually plus the continuing costs of delivering the same services previously approved. For simplicity, same service or “continuing” program costs assume constant costs of service delivery, i.e., no inflationary adjustment. The annual “total initiative cost” for each initiative is then calculated as same service funding plus any program expansion costs provided in MCPS’ approved budget.

**Exhibit 11: New and Estimated Total Funding for the Selected Initiatives, FY01-FY07**



## Category B – Major Budget Components and Cost Drivers

**Table 18: Estimated Costs for the Three Selected Initiatives, FY01-FY07**  
(\$ in millions)

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	TOTAL
<b>Class Size Reduction</b>								
New Funds	0.9	5.9	7.5	0.0	0.0	9.5	1.6	25.4
Same Service	0.0	0.9	6.8	14.3	14.3	14.3	23.8	74.4
Total Costs	\$0.9	\$6.8	\$14.3	\$14.3	\$14.3	\$23.8	\$25.4	\$99.8
<b>Special Education Enhancements</b>								
New Funds	0.1	4.2	0.9	0.0	0.0	3.0	3.8	12.0
Same Service	0.0	0.1	4.3	5.2	5.2	5.2	8.2	28.2
Total Costs	\$0.1	\$4.3	\$5.2	\$5.2	\$5.2	\$8.2	\$12.0	\$40.2
<b>New Elementary School Assistant Principals</b>								
New Funds		0.3	0.0	0.0	0.0	1.2	1.6	3.1
Same Service		0.0	0.3	0.3	0.3	0.3	1.5	2.7
Total Costs		0.3	0.3	0.3	0.3	\$1.5	\$3.1	\$5.8
<b>Three Initiatives</b>								
New Funding for All Three	1.0	10.4	8.4	0.0	0.0	13.7	7.0	40.5
Total Cost for All Three	\$1.0	\$11.4	\$19.8	\$19.8	\$19.8	\$33.5	\$40.5	\$145.8

### Key Findings:

- Since FY01, the Council appropriated \$40.5 million in new funds for the three initiatives selected: class size reduction, special education enhancements, and elementary assistant principals.
- Between FY02 and FY07, the total cost of these three initiatives was \$145.8 million. This amount is equal to \$105.3 million in continuing program costs on top of the \$40.5 million in new funding.
- For multi-year initiatives, same service and total program costs considerably exceed new funding appropriations. For example, between FY01 and FY07, new funding for class size reductions amounted to \$25.4 million compared to continuing costs of \$74.4 million.
- Even in years when no new programs or program expansions are funded, the cost of continuing earlier investments accumulates. For example, even with no new funding approved in either FY04 and FY05, another \$19.8 million was spent each year to continue class size reduction and special education initiatives begun in previous years and to retain the elementary assistant principals hired in FY02.

## Category B – Major Budget Components and Cost Drivers

### Recommended Issues/Questions for Council Discussion

MCPS' annual budget submission typically focuses on the new funds requested to begin a new program or to expand an existing one. After new funding is appropriated, new staff are hired and an initiative is either implemented or expanded. In subsequent years, the continuing cost of the program moves to the base budget, and often "disappears" from the Council's annual budget review. As a result, the total multi-year cost of most new programs is rarely tracked.

OLO recommends that the Council's annual budget review include updates and inquiries related to total program costs, with requests for new program funding analyzed within the context of multi-year costs. In addition to asking about the continuing costs of programs implemented in previous years, the Council should ask MCPS for data describing the projected budgetary impact of proposed initiatives going forward. Beyond understanding the total costs of a program, this sort of inquiry affords the Council an opportunity to ask about the effectiveness and return on investment of specific funded initiatives.

OLO notes that MCPS appears headed in the direction of providing more multi-year budget information. In particular, the recently released Middle School Reform Report includes budget projections for realigning resources, additional resources needed, and the cost of same service delivery for the next three fiscal years (FY08 to FY10). Additionally, MCPS' *Program Budget* includes some multi-year tracking of initiatives, such as Full Day Kindergarten. MCPS staff report that the agency's new financial management system will have the capacity to track the costs of specific initiatives over multiple years.

### Suggested Questions

1. Does MCPS plan to include the multi-year costs of programs in future operating budget submissions?
2. What are the specific goals for each of the three initiatives tracked by Indicator 7? Does MCPS believe the investments being made are successfully achieving these goals? To the extent that these goals are not being reached, what steps are being taken to redirect resources to more effective uses?
3. What are the anticipated long-term costs of each of these initiatives? What outcomes are expected as a result and when?

### Caveats on Indicator 7 Data

This indicator describes trends in the estimated costs of the selected initiatives rather than the actual costs of the selected initiatives. MCPS' current financial management system does not track the multi-year cost of new programs. As such, OLO's estimates of continuing program costs rely on an assumption of constant costs that may either under or over-estimate the actual costs of the selected initiatives considered. MCPS' new financial management system will be able to track multi-year costs of new programs.

## Category B – Major Budget Components and Cost Drivers

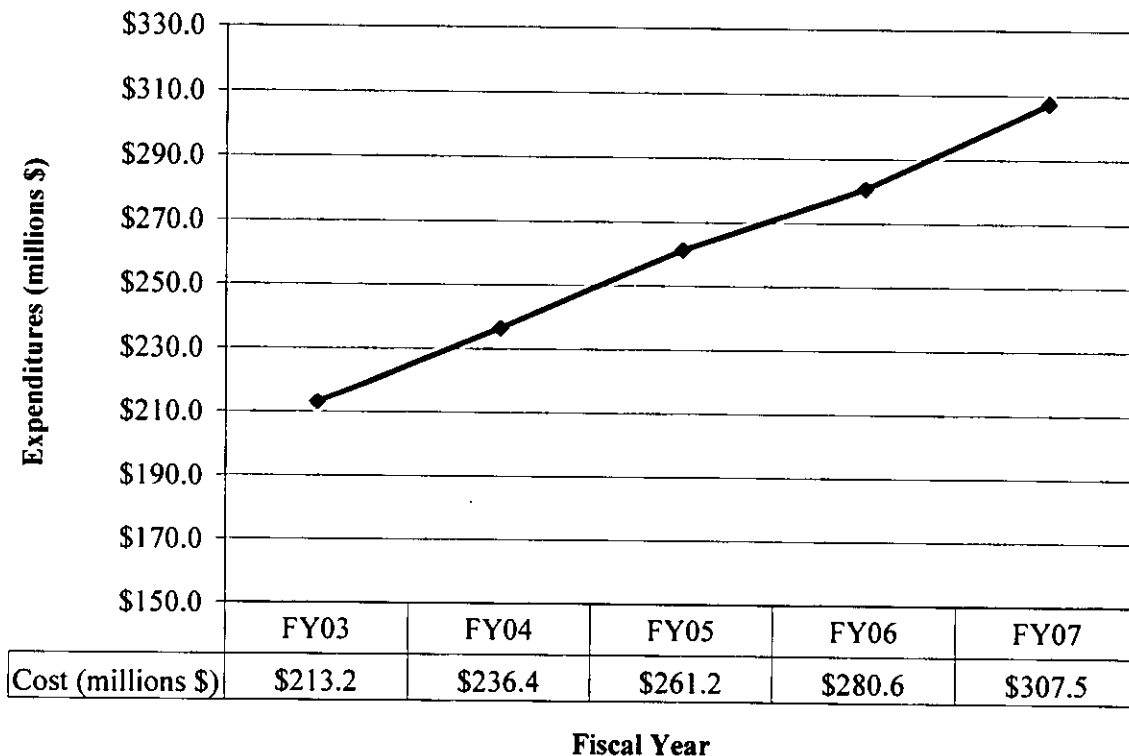
### INDICATOR 8: SPECIAL EDUCATION COSTS

This indicator tracks the costs of delivering special education and related services such as occupational therapy to students with disabilities. FY03-FY06 data reflect actual costs and FY07 data reflect budgeted costs. These special education costs are in addition to the general education costs of serving students with disabilities in inclusive settings. Indicator 8 also reports the numbers of students with disabilities enrolled in MCPS schools and Non-Public Placements.

The five-year trend data track changes in special education costs in five categories:

- K-12 Services<sup>1</sup> – the cost of operations and assessments, instruction, counseling, and other services for children with disabilities age 6-21;
- Early Intervention and Preschool Services<sup>2</sup> – the cost of operations and services for children with disabilities age 0-5;
- Non-Public Placements – the cost of serving students with disabilities in private schools at public expense;
- Transportation – the cost of transporting students with disabilities to school; and
- Special Education Benefits – the estimated cost of benefits for staff who deliver special education and transportation services to students with disabilities.

**Exhibit 12: Special Education Costs, FY03-FY07**



<sup>1</sup> Calculated as State Budget Category 6 minus the costs of Non-Public Placements and pre-school and early intervening services for children with disabilities.

<sup>2</sup> Includes funding for Division of Preschool Special Education and Related Services and Home and School Based services for Infants, Toddlers, Preschooler with Disabilities (IDEA Education)

## Category B – Major Budget Components and Cost Drivers

**Table 19: Special Education Expenditures and Enrollment, FY03-FY07**

Special Education Expenditures	FY03	FY04	FY05	FY06	FY07	FY03	FY04	FY05	FY06	FY07
	Expenditures (\$ in millions)					Percent of Operating Budget				
K-12 Services	105.8	127.5	138.3	149.6	165.0	8	9	9	9	9
Early Intervention and Preschool Services	32.0	23.0	26.0	29.1	30.1	2	2	2	2	2
Non-Public Placements	27.6	31.7	34.5	33.5	32.7	2	2	2	2	2
Transportation <sup>3</sup>	21.3	23.3	26.3	28.4	32.3	2	2	2	2	2
Estimated Benefits <sup>4</sup>	26.5	30.9	36.1	40.0	47.4	2	2	2	2	3
<b>TOTAL</b>	<b>\$213.2</b>	<b>\$236.4</b>	<b>\$261.2</b>	<b>\$280.6</b>	<b>\$307.5</b>	<b>15%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>17%</b>
Student in:	Number of Students with Disabilities**					Percent of MCPS-Funded Students				
MCPS Facility	17,013	17,334	17,628	17,700	17,218	12	13	13	13	12
Non-Public Placement	674	649	645	621	591	1	1	1	*	*
<b>TOTAL</b>	<b>17,687</b>	<b>17,983</b>	<b>18,273</b>	<b>18,321</b>	<b>17,809</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>

\*Value is less than one percent.

\*\* FY07 numbers of students are an unofficial count; Non-Public Placements are not included in total MCPS enrollment.

### Key Findings:

- Between FY03 and FY06, special education costs increased by \$67.3 million (32%) from \$213.2 million to \$280.6 million. As a portion of the MCPS budget, special education increased from 15 to 16 percent between FY03 and FY06.
- In FY06, the total number of students with disabilities enrolled and MCPS schools and served in non-public placements was approximately 18,321 which is 634 more students than in FY03. During this time, students with disabilities consistently accounted for about 13 percent of all students whose education is funded through MCPS.
- Between FY03 and FY06, the costs of K-12 operations and related services increased 41 percent, the cost of early intervention and preschool services decreased by nine percent, and the cost of transportation increased 33 percent. From FY05 and FY06, the cost of Non-Public Placements decreased by \$1 million (3%).

<sup>3</sup> Special education transportation costs for FY03 estimated based on 1.6 percent of total MCPS FY03 operating budget.

<sup>4</sup> Costs of benefits for salaries included in State Budget Category 6 and for special education transportation are estimated as 18.2 percent of salary costs in FY03, 19.0 percent of salaries in FY04; 20.5 percent of salaries in FY05; 21.1 percent of salaries in FY06 and 22.3 percent of salaries in FY07.

## Category B – Major Budget Components and Cost Drivers

### Recommended Issues/Questions for Council Discussion

The County Council has consistently paid close attention to service provision for students with disabilities. Because the expenses captured by Indicator 8 exclude the general education costs associated with serving students with disabilities, OLO recommends the Council inquire about the total costs of serving this cohort of students (see Indicator 11 for OLO's estimate of actual costs per K-12 student with disability).

A related issue that OLO recommends the Council pursue is the connection between special and general education costs that support improved achievement and reduce the over-representation of minority students in special education. This is because investments that increase the capacity of general education classes to serve all learners may decrease the costs for special education.

### Suggested Questions

1. What are the major factors that account for the increasing costs in special education? What is, for example, the division among increased costs of compensation for existing staff, new staff or programs, and the changing needs of students with disabilities?
2. What are the MCPS data trends with respect to the over-representation of minority students in special education? What programs are being funded to address this issue?
3. What accounts for the changing numbers of students in Non-Public Placements?
4. What cost efficiencies have been implemented to control increasing costs of special education? What cost efficiencies might be achieved in the future?

### **Caveats on Indicator 8 Data**

Data on the benefit costs associated with special education are based on OLO's estimates of benefit costs rather than on actual costs. As such, actual special education costs may vary according to the accuracy of this estimated special education cost component.

Further, this indicator excludes special education costs funded by non-special education sources. For example, staff development for special educators and psychological services for students receiving pre-intervention services that are funded in State Budget Category 3 (Instruction) are excluded from our calculations. OLO's 2004 *Analysis of MCPS' Special Education Spending: Part I*, provides more specific examples of non-special education funded costs that should be included in more comprehensive calculations of special education costs.

Lastly, as noted above, Indicator 8 excludes the general education costs of serving students with disabilities. This cost component per student is estimated in Indicator 11.

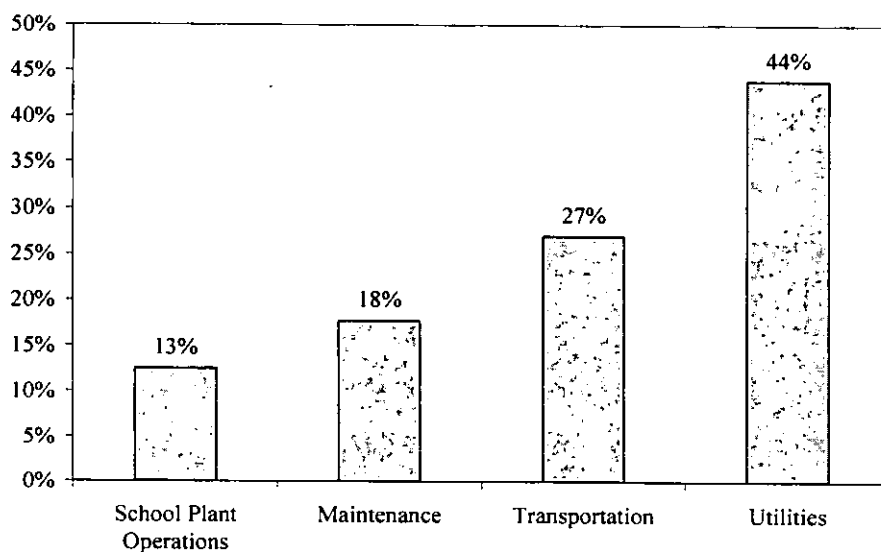
## Category B – Major Budget Components and Cost Drivers

### INDICATOR 9: COST OF SCHOOL PLANT OPERATIONS, MAINTENANCE, TRANSPORTATION, AND UTILITIES

This indicator tracks the major non-instructional costs of the school system. FY03-FY06 data reflect actual costs; FY07 data reflect budgeted costs. The five-year trend data track changes in expenditures for:

- School Plant Operations, which includes the routine cleaning of MCPS facilities and the support of community use activities;
- Maintenance, which includes maintenance and repair services, environmental services, capital asset replacements, and automated energy management operations;
- Transportation, which includes maintaining and operating MCPS' bus fleet; and
- Utilities which includes the costs of electricity, heating oil, natural gas, propane, and water and sewer for all MCPS facilities.

**Exhibit 13: Percent Cost Increases, FY03-FY06:  
School Plant Operations, Maintenance, Transportation, and Utilities**



**Table 20: School Plant Operations, Maintenance, Transportation, and Utilities Costs, FY03-FY07**

Activity	Expenditures (\$ in millions)					Expenditures as Percent of Total MCPS Operating Budget				
	FY03	FY04	FY05	FY06	FY07	FY03	FY04	FY05	FY06	FY07
School Plant Operations	41.8	42.4	44.7	47.0	51.4	3	3	3	3	3
Maintenance	23.4	22.9	24.7	27.6	27.9	2	2	2	2	2
Transportation	59.0	63.5	68.6	75.0	79.0	4	4	4	4	4
Utilities	24.5	26.8	32.4	35.3	41.4	2	2	2	2	2
<b>TOTAL</b>	<b>\$149.8</b>	<b>\$155.6</b>	<b>\$170.4</b>	<b>\$184.9</b>	<b>\$199.7</b>	<b>11%</b>	<b>10%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>



## Category B – Major Budget Components and Cost Drivers

### Key Findings:

- In FY07, the approved budgets for school plant operations, maintenance, transportation, and utilities combined total almost \$200 million, which is 11 percent of the total MCPS budget.
- Between FY03 and FY06, while the amount spent on these non-instructional costs increased by \$35 million, these costs continued to account for a steady 10-11% of the MCPS budget.
- A comparison of percent cost increases across these four categories of non-instructional costs between FY03 and FY06 show substantial differences. The costs of school plant operations increased 12 percent, maintenance increased 18 percent, transportation increased 27 percent, and utilities for plant operations and equipment increased 44 percent.

### Recommended Issues/Questions for Council Discussion

Non-instructional activities, such as the four captured in Indicator 9, are important functions of the school system that account for a sizeable percent of the total MCPS budget. OLO recommends that the Council seek additional analysis on what portion of the increasing costs for these non-instructional activities are attributable to factors outside of MCPS' "control," such as changes in the cost of electricity or fuel. This could be compared to increases in more "controllable costs," such as the opening of new schools and school choice offerings that impact transportation expenses. OLO recommends that another issue of Council interest should be the balance between short-term savings and long-term costs of infrastructure maintenance.

### Suggested Questions

1. What are the major factors that account for the increasing costs in each of these four categories of expenses? For example, how much is attributed to higher compensation costs for existing staff vs. hiring new staff vs. higher costs for supplies and equipment?
2. What cost efficiencies have been implemented to control increasing costs? How are factors that explain recent increases in non-instructional costs expected to trend going forward?
3. How does MCPS track and ensure the quality of service delivery in school plant operations, maintenance, and transportation?

### Caveats on Indicator 9 Data

The expense categories selected for Indicator 9 capture only a portion of MCPS' non-instructional costs; other activities to consider would include food service, construction, and materials management. To understand MCPS' non-instructional costs as a whole, additional data is required. Further, this indicator does not provide information on the quality or efficiency of service delivery. For this information, the Council should consider MCPS' Chief Operating Officer's "dashboard of measures" that describes the performance of MCPS' core business units.

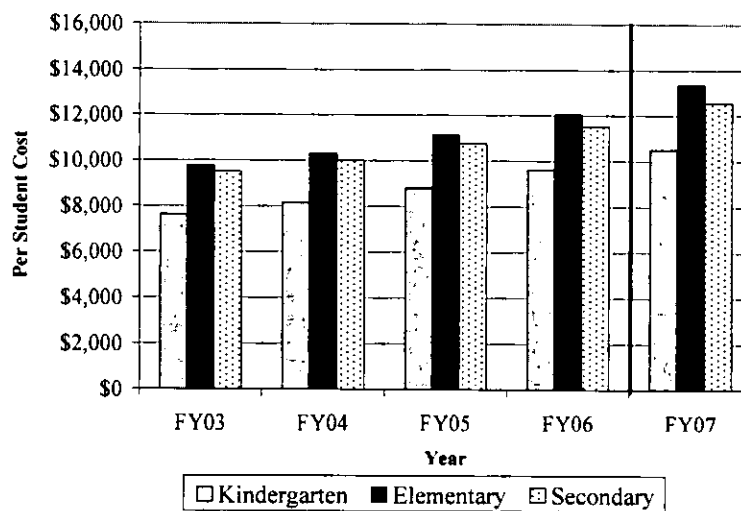
## Category C – Per Student Expenditures

### INDICATOR 10: PER STUDENT COST BY GRADE SPAN

This indicator tracks five years (FY03–FY07) of data on per student costs for four groups: kindergarteners, elementary students, secondary students, and all students in grades K-12. MCPS calculates per student costs based on the State formula that the agency must use to request reimbursements (e.g. Non-Public Placements). These calculations exclude the cost of pre-K, summer school, community services, non-public placements, and enterprise funds because these expenditures do not match to students enrolled in grades K-12. The dollar amounts included and excluded in MCPS' student cost calculations are listed in Table 18 (below).

Using Washington Area Boards of Education (WABE) data, this indicator also compares four years (FY04–FY07) of average per student costs across nine area school districts. Rather than rely on self-reported data, the WABE committee uses a common formula for calculating per student costs by school districts to ensure comparability. This explains why WABE's estimates of MCPS per student costs differ slightly from MCPS' calculations.

**Exhibit 14: MCPS Average Costs per Student by Grade Span, FY03-FY07**

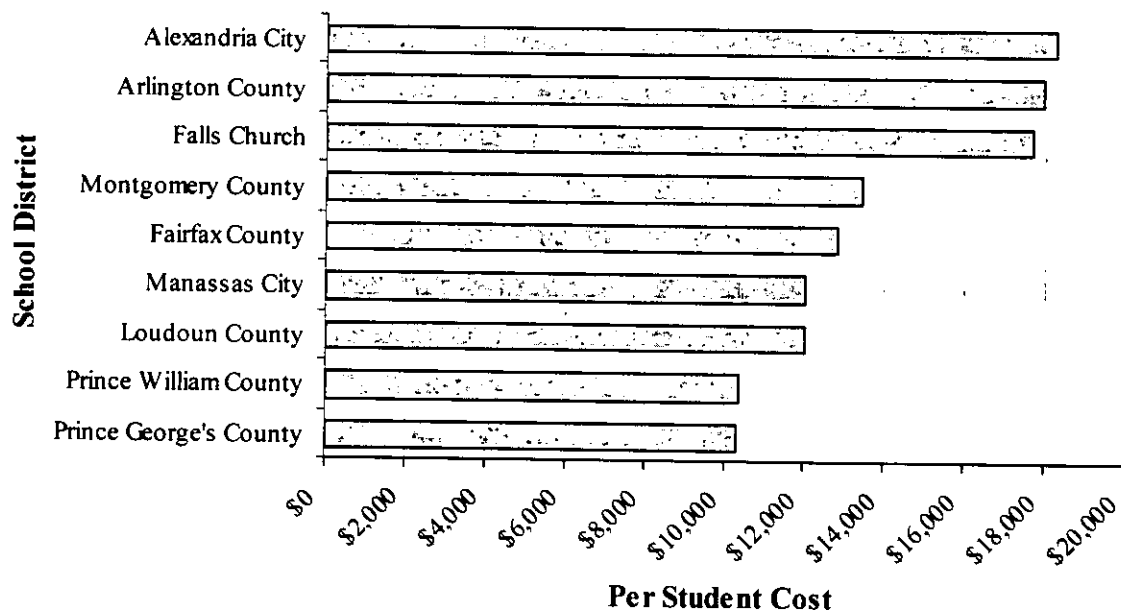


**Table 21: MCPS Average Costs per Student by Grade Span, FY03-FY07**

MCPS Data by Grade Span	FY03	FY04	FY05	FY06	FY07	Change FY03-06	
						\$	%
Kindergarten	\$7,617	\$8,155	\$8,801	\$9,624	\$10,509	\$2,007	26%
Elementary	\$9,762	\$10,306	\$11,117	\$12,042	\$13,349	\$2,280	23%
Secondary	\$9,497	\$10,005	\$10,765	\$11,527	\$12,566	\$2,030	21%
<b>K-12</b>	<b>\$9,475</b>	<b>\$9,999</b>	<b>\$10,769</b>	<b>\$11,592</b>	<b>\$12,718</b>	<b>\$2,117</b>	<b>22%</b>
<b>MCPS Operating Budget (\$ in millions)</b>							
Operating Budget	\$1,413.9	\$1,490.2	\$1,602.4	\$1,714.7	\$1,851.5	\$300.8	21%
Used in Calculation	\$1,296.9	\$1,369.0	\$1,473.8	\$1,586.4	\$1,721.5	\$289.5	22%
Amount Excluded	\$117.0	\$121.2	\$128.7	\$128.2	\$129.9	\$11.2	10%
Percent Excluded	8.3%	8.1%	8.0%	7.5%	7.0%	--	--

## Category C – Per Student Expenditures

**Exhibit 15: Washington Area Boards of Education (WABE) Average Costs per Student, FY07**



**Table 22: WABE Data on Average Costs per Student by Rank, FY04-FY07**

School District	FY04	FY05	FY06	FY07	Change FY04-07	
					\$	%
Alexandria City	\$12,198	\$13,670	\$15,871	\$18,232	\$6,034	50%
Arlington County	\$13,950	\$15,298	\$16,464	\$17,958	\$4,008	29%
Falls Church	\$13,377	\$14,106	\$16,020	\$17,700	\$4,323	32%
Montgomery County	\$10,644	\$12,108	\$12,549	\$13,446	\$2,802	26%
Fairfax County	\$10,113	\$11,022	\$11,915	\$12,853	\$2,740	27%
Manassas City	\$9,038	\$10,137	\$10,775	\$12,036	\$2,998	33%
Loudoun County	\$9,604	\$10,266	\$12,271	\$12,023	\$2,419	25%
Prince William County	\$8,205	\$8,939	\$9,374	\$10,378	\$2,173	27%
Prince George's County	\$8,014	\$8,612	\$9,368	\$10,332	\$2,318	29%

## Category C – Per Student Expenditures

### Key Findings:

- According to MCPS' calculations for the past four years, the average cost per student increased by \$2,117 (22%) from \$9,475 in FY03 to \$11,592 in FY06.
- Between FY03 and FY06, the difference between per student costs at the elementary compared to the secondary grades grew. In FY03, the per student costs at the elementary level was only \$265 more than the per student costs at the secondary level; by FY06, this difference had increased to \$515.
- Among the nine school districts that participate in the WABE data collection, MCPS' per student cost ranked 4<sup>th</sup> in FY07. MCPS' average per student cost is \$13,466 per student compared to \$18,232 for Alexandria City, \$12,858 for Arlington County, and \$17,700 for Falls Church.
- Among the five large school systems participating in the WABE whose student enrollment exceed 50,000, MCPS' per student cost is highest for FY07 followed by Fairfax County's average per student cost of \$12,853.

### Recommended Issues/Questions for Discussion

Average per student costs serves as a good example of a fiscal indicator that raises as many questions as it answers. Much of the increase in MCPS' per student cost at the elementary level likely results from implementation of MCPS' Early Success Initiative. This initiative focuses on closing the achievement gap in the early grades by expanding pre-K and full day K programs, and providing additional resources to high poverty elementary schools, i.e., Focus Schools. As MCPS seeks to target additional resources at the secondary level to close the achievement gap, per student costs at the secondary level are likely to increase as well.

OLO recommends the Council consider using average per student costs as a way to begin comparing MCPS' costs to those of other school systems. Fairfax County Public Schools are often considered MCPS' peer in delivering a high quality education to its student body. Both systems serve large suburban populations marked by increasing student diversity. Per student costs in Fairfax County consistently track lower than in MCPS. Understanding why this difference occurs is an issue that OLO recommends the Council pursue further.

### Suggested Questions

1. What are the major factors that contribute to MCPS having consistently higher per student costs compared to the other large suburban school systems in the area?
2. How does MCPS explain the variable growth in per student costs for the different grade spans for which these data are reported?

## Category C – Per Student Expenditures

3. How do changes in MCPS per student costs by grade span correlate with changes in student outcomes by grade span? What increases in per student expenditures have had the greatest impact on performance outcomes?
4. How does MCPS interpret the changes in per student costs from year to year? Is there a goal to hold increases to a specified dollar amount? Is it appropriate to expect that MCPS can increase its efficiency relative to delivering instructional services?

### Caveats on Indicator 10 Data

MCPS' calculations of K-12 per student costs exclude a number of cost categories that do not directly match its K-12 enrollment. As noted above, these costs include pre-kindergarten, non-public placements, summer school and Enterprise funds. As a result, MCPS' calculations of per student costs exclude 7-8% of the MCPS operating budget. In FY07, the approximately \$130 million excluded amounts to nearly \$1,000 per student.

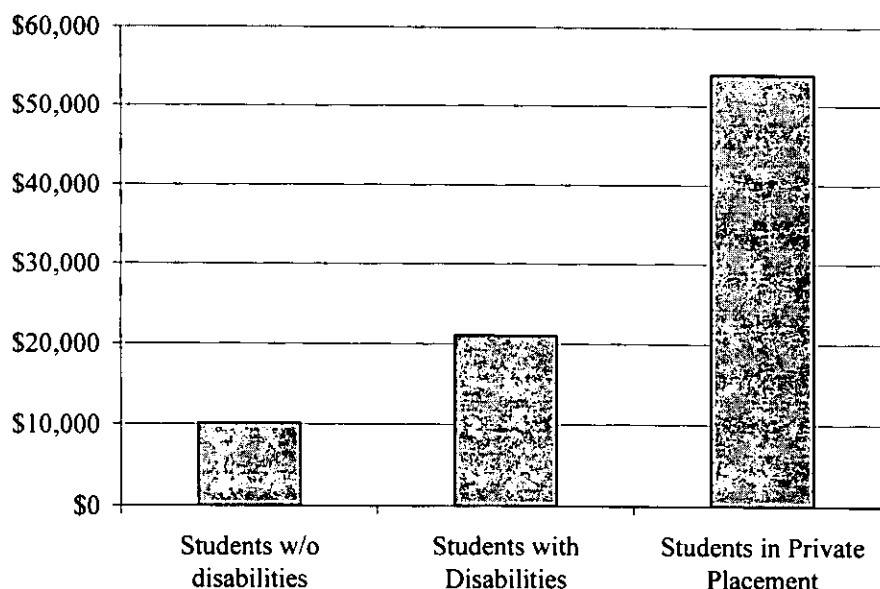
Another caveat of this indicator is that WABE's and MCPS' estimates of MCPS per student costs differ. This occurs for a variety of reasons, including that MCPS, unlike WABE, updates its numbers to capture actual expenditure and enrollment data to calculate per student costs in prior years. Comparing data from different sources requires an understanding that estimated costs of the same thing may differ slightly.

**INDICATOR 11: PER STUDENT COST BY DISABILITY STATUS**

This indicator presents average per student costs for the most recent fiscal year with actual budget data (FY06). It includes:

- MCPS' average per student costs by grade span that are published annually in MCPS' budget. These calculations exclude data on MCPS students in private placements and selected other costs (see Indicator 10, page 54 for details).
- OLO's calculations of average per student costs (K-12) for different cohorts of students: students without disabilities; students with disabilities in MCPS schools; and students with disabilities in private placements. OLO also calculated a K-12 per student cost, which adds back in the data on students in private placements.
- OLO's calculations of the K-12 per student cost for students without disabilities based on the cost of general education for students enrolled at MCPS. General education costs are equal to MCPS' total K-12 expenditure minus the cost of special education services, transportation and estimated benefits.
- OLO's calculation of average per student cost for students with disabilities enrolled at MCPS includes the cost of general education plus the cost of special education programs for these students. The cost of private placements equals the average cost of tuition. Details of OLO's cost calculations appear in the Technical Notes section of the Appendix (See Appendix E, ©12).

**Exhibit 16: Average per Student Cost by Subgroup, FY06<sup>1</sup>**



<sup>1</sup> All per student cost calculations exclude amounts allocated in the FY06 budget for summer school, community services, and Enterprise Fund accounts.

**Table 23: Per Student Costs by Grade Span and Disability Status, FY06**

<b>A. Cost Per Student Data Published in MCPS Budget.</b>		
These calculations exclude students with disabilities in private placements and the associated costs of tuition. In FY06, this exclusion totals 621 students and \$33.5 million.		
<b>MCPS Data by Grade Span</b>	<b>Number of Students</b>	<b>Cost Per Student</b>
Kindergarten	9,101	\$9,624
Elementary	50,692	\$12,042
Secondary	77,069	\$11,527
<b>Total K-12</b>	<b>136,862</b>	<b>\$11,592</b>
<b>B. Additional Cost Per Student Data Calculated by OLO</b>		
The Total K-12 calculation adds back in the students with disabilities in private placements and associated tuition costs.		
<b>OLO Data by Student Group</b>	<b>Number of Students</b>	<b>Cost Per Student</b>
K-12 students without disabilities	119,162	\$10,043
K-12 students with disabilities	17,700	\$22,018
K-12 students in private placements	621	\$53,958
<b>Total K-12</b>	<b>137,483</b>	<b>\$11,783</b>

**Key Findings:**

- The MCPS budget reports the average cost per elementary student in FY06 as \$12,042. This is \$515 more than the average cost per secondary student (\$11,527), and \$2,418 more than the average cost per Kindergartener (\$9,624).
- MCPS' budget reports the average cost per K-12 student in FY06 as \$11,592. This calculation excludes the 621 students with disabilities in private placements and the associated \$33.5 million in tuition costs. When these are added back in, the average per K-12 student funded by MCPS is \$11,783, an increase of about \$200 per student.
- MCPS' average cost of educating a student without disabilities (\$10,043) is about half the average cost of educating a student with disabilities enrolled in an MCPS school (\$22,018), and about one-fifth of the cost of educating a student with disabilities in a private placement (\$53,958).

**Recommended Issues/Questions for Council Discussion**

OLO recommends that, despite its limitations, the Council use average cost data for different cohorts of students to discuss the varying costs of serving a large and diverse student population. The Council should review the assumptions and rationale behind MCPS' calculations of average per student costs and compare estimated per student costs by disability status or other student/program characteristics. OLO also recommends that the Council routinely inquire how implementation of specific MCPS initiatives will effect average per student costs for different cohorts of students.

## Category C – Per Student Expenditures

### Suggested Questions

1. Will the new financial management system enable a more accurate way to calculate per student costs for different cohorts of students by characteristics of interest such as participation in special education, compensatory education, English as a second language programs, gifted education, or magnet programs?
2. If no new initiatives are funded for FY08, what are the projected average student costs overall and by student group for next year? What are the anticipated costs of proposed initiatives on average student costs overall and by student group for next year?
3. What strategies is MCPS undertaking to minimize increases in average student costs overall and by student groups?
4. Has MCPS considered using a weighted per student school funding formula that allocates resources to schools based on the average cost of educating student subgroups? What are the benefits and limitations to this approach compared to how schools are currently funded?
5. How might the average costs of serving nondisabled students and students with disabilities in MCPS schools change as general and special education classes increase their capacity to educate students currently served in more restrictive settings? What are the consequences for average student costs of increasing inclusion?
6. What are MCPS' plans related to moving more students with disabilities from costly private school placements into public schools when appropriate?

### **Caveats on Indicator 11 Data**

Indicator 11 does not disaggregate the additional costs of serving students in specialized programs that include gifted education, compensatory education, English language acquisition, magnet programs, extra curricular activities, summer school, and other initiatives. Moreover, this indicator's assumption of students with disabilities having the same general education costs as students without disabilities may not be entirely accurate, and as a result, the estimated per K-12 student with disability cost may be inflated.

Except for students with disabilities in private placements, the average cost per student does not well measure the marginal costs of serving additional students. For example, the marginal cost of 200 – 500 additional children across MCPS' 199 schools is relatively low if these students are dispersed across a large number of campuses. If these students are concentrated in a few schools, then the marginal cost of serving these students could be high and exceed average per student costs. Median cost per student data would be useful information to augment the average cost calculations and better understand student marginal costs. However, median cost data are not available.



## Category C – Per Student Expenditures

### INDICATOR 12: PER STUDENT COST BY SCHOOL TYPE AND SERVICE CATEGORY

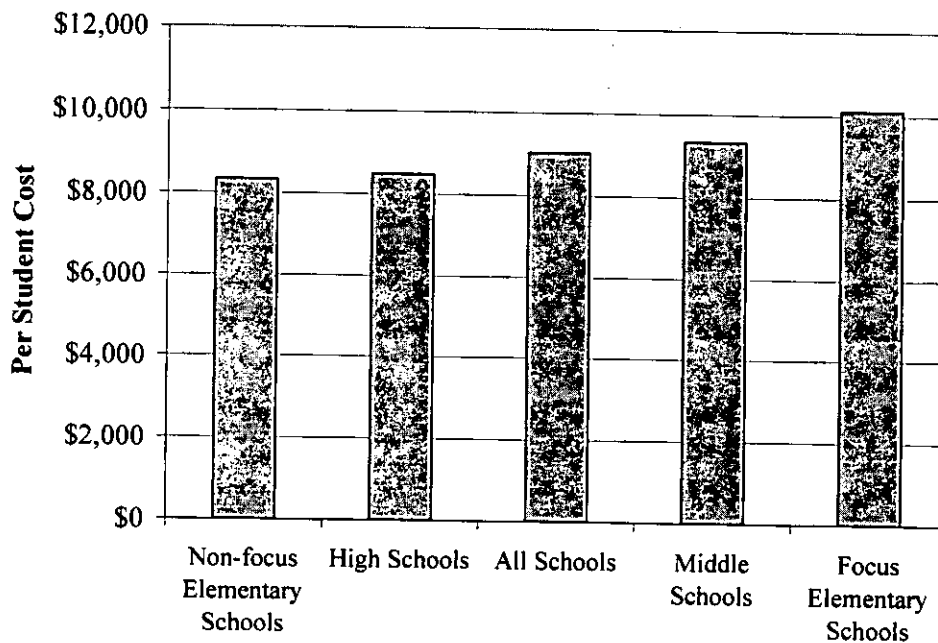
This indicator reports per student costs in several different ways that demonstrate how MCPS targets its fiscal resources to schools. Specifically, Indicator 12 tracks FY06 per student costs for school-based service costs by the following “types” of schools:

- Focus elementary schools (i.e., high poverty schools);
- Non-focus elementary schools;
- Middle schools;
- High schools; and
- Special schools for students with disabilities.

Indicator 12 presents four years (FY03-FY06) of per student costs for school-based services vs. central/field office-based services. MCPS’ *Schools at a Glance*, which describes operating costs by school, was used for this indicator.

Table 27 (page 66-69) lists all MCPS elementary schools in descending order of FY06 per student school-based costs. In general, this table demonstrates that MCPS spends more per student in focus elementary schools than in non-focus schools. Most exceptions to this rule involve schools with small enrollments and thus higher per student costs for administrative, other professional and some support staff (e.g. counselors and school secretaries).

**Exhibit 17: Per Student Costs by School Type<sup>1</sup>, FY06**



<sup>1</sup> Exhibit 17 excludes school-based service per student costs for Special Schools which averaged \$29,588 in FY06.

## Category C – Per Student Expenditures

**Table 24: School Based Services: Per Student Costs by School Type, FY06**

School Type	Number of Schools	Enrollment	Percent FARMs	Average Per Student Costs
Elementary Schools	125	62,283	32%	\$9,200
- Focus (high poverty) Schools	60	30,202	49%	\$10,117
- Non-focus Schools	65	32,081	15%	\$8,336
Middle Schools	38	31,374	27%	\$9,343
High Schools	25	44,677	17%	\$8,493
Special Schools	7	977	41%	\$29,588
<b>All Schools</b>	<b>195</b>	<b>139,311</b>	<b>26%</b>	<b>\$9,049</b>

The table below shows MCPS' allocation of costs for four years (FY03 –FY07) in two service categories: school-based and central/field office-based services. The next table lists which services MCPS allocates to each of these two categories. MCPS notes that in FY04, transportation costs were shifted from a school-based to a central/field office-based expenditure because they could not accurately allocate such expenditures to specific schools. As such, OLO's analysis of changes in school-based services compared to central/field office-based services focuses on FY04 – FY07 data.

**Table 25: School-Based and Central/Field Office-Based Services:  
Per Student Costs, FY03-FY06**

	FY03*	FY04	FY05	FY06	Change FY04-06	
Service Type					#	%
School-Based Services	\$7,971	\$7,989	\$8,536	\$9,048	\$1,059	13.3%
Central/Field Office-Based Services	\$2,211	\$2,725	\$2,967	\$3,260	\$535	19.6%
Service Type as Percent of Total Operating Costs					#	%
School-Based Services	78.3%	74.6%	74.2%	73.5%	-1.1	-1.5%
Central/Field Office-Based Services	21.7%	25.4%	25.8%	26.5%	+1.1	+4.3%

\*FY03 School-Based Services include Transportation Costs that we re-allocated to Central/Field Office-Based Services in the FY04 *Schools at a Glance* publication.

**Table 26: Definitions of School-Based and Central/Field Office-Based Services**

<b>School-Based Services</b>	<b>Central/Field Office-Based Services</b>
<p>Salaries and benefits of staff allocated to schools for:</p> <ul style="list-style-type: none"> <li>• School administrators,</li> <li>• Teachers,</li> <li>• Other professionals: counselors, media specialists, and special education related service providers,</li> <li>• Instructional support: paraeducators, teacher assistants, media assistants and instructional data assistants,</li> <li>• Other support: secretaries, parent/community coordinators, lunch aides,</li> <li>• Building service workers, and</li> <li>• Food service workers,</li> </ul> <p>Allocations for textbooks, instructional materials and media centers; and</p> <p>Facility costs.</p>	<p>Salaries and benefits for non-school based personnel;</p> <p>System-wide staff development, instructional support, program development, technology support, and student support activities; pupil personnel workers, school psychologists, and other support personnel resources not allocated to specific schools;</p> <p>Centrally administered special education resources, special education specialists based in central/field offices, legal fees associated with special education cases, and tuition for Non-Public Placements;</p> <p>Utility/telecommunication, plant operation, and maintenance costs for all non-school facilities and all costs for the operations of the central supply warehouse;</p> <p>Transportation costs; and</p> <p>Centrally administered grants, resources including instructional and other supplies, and funds appropriated for future grants.</p>

## Category C – Per Student Expenditures

### Key Findings:

- Data for FY06 show significant variations in per student costs for school-based services by school type. Per student costs were highest in special schools at \$29,588 per student, followed by Focus elementary schools at \$10,117 per student, middle schools at \$9,343 per student, high schools at \$8,493 per student, and Non-focus elementary schools at \$8,336 per student.
- In FY06, about half (49%) of all students who attended the 60 Focus elementary schools were eligible for free and reduced-priced meals (FARMS); this compared to 15 percent of the students who attended Non-focus elementary schools. The percent of FARMS-eligible students enrolled in special schools was also high at 41 percent in FY06 compared to 26 percent across all MCPS schools.
- The difference in per student allocations between Focus and Non-focus schools amounted to \$1,781 per student in FY06. With an average elementary enrollment of approximately 500 students, each Focus school on average received an additional \$890,000 compared to Non-focus schools.
- Between FY04 and FY06, per student costs for school based services increased by \$1,059 (13.3%) from \$7,989 to \$9,048. During this time, per student costs for central/field office-based services increased by half of this dollar amount (\$535) but at a higher rate (19.6%).
- The school-based services share of per student costs also decreased from 75 percent of overall average student costs in FY04 to 74 percent in FY06. Conversely, the central/field office-based services share of per student costs increased from 25 percent of per student costs to 27 percent in FY06.

### Recommended Issues/Questions for Council Discussion:

Examining different calculations of per student costs can be useful in terms of enhancing the Council's understanding of what is going on behind system-wide averages. OLO recommends the Council use data on per student costs by type of school (e.g., Focus vs. Non-focus elementary schools) to learn about how MCPS targets fiscal resources and as the basis for asking questions related to measuring the return on the additional investments. OLO recommends the Council use data on MCPS' costs by service category to learn more about the type of staff and services that are allocated directly to individual schools vs. those allocated to central and field offices.

## Category C – Per Student Expenditures

### Suggested Questions

1. What are MCPS' criteria for classifying Focus vs. Non-focus elementary schools? Is there a comparable measure used for classifying middle and high schools?
2. How is the additional funding to Focus schools calculated and how do the Focus schools spend it? How is MCPS going about measuring the impact of these additional dollar allocations?
3. Has MCPS considered using a weighted per student funding formula to allocate resources to all schools? What are the benefits and drawbacks to this approach?
4. In reviewing the rank-order list of elementary schools, there are some Focus schools and Non-focus schools that do not appear where it is expected they would be, given the MCPS policy of providing additional funds to focus schools. Some of this may be attributed to variations in school enrollment (i.e. small and large school enrollments). What are some other explanations for this pattern?
5. What explains the comparatively larger increase in central/field office-based services since FY04? What services have been purchased with the additional \$535 per student and with what impact? What trends are anticipated in the future?

### **Caveats on Indicator 12 Data**

This indicator's categorization of per student costs as school-based vs. central/field office-based services is not the same as the distinction between instructional and non-instructional services. There are instructional services that are central office-based, such as staff training and curriculum development. Similarly, there are non-instructional services that are school-based, such as building and food services.

Because so many factors influence the calculations of per student costs by school, the data presented in Indicator 12 should be used to begin a discussion about the allocation of resources among schools, not to draw conclusions about the quality or effectiveness of programs available at any individual school.

# Category C – Per Student Expenditures

**Table 27: Per Student Costs for Elementary School-Based Services in Rank Order, FY06**

Elementary School	Enrollment	% FARMS	Operating Costs	Cost Per Student	Rank	Focus School
East Silver Spring	251	61.0%	\$3,485,824	\$13,888	1	Y
New Hampshire Estates	409	78.7%	\$5,434,349	\$13,287	2	Y
Oak View	267	76.4%	\$3,496,777	\$13,097	3	Y
Monocacy	231	15.6%	\$2,963,764	\$12,830	4	
Montgomery Knolls	376	56.1%	\$4,731,623	\$12,584	5	Y
Bel Pre	488	52.7%	\$6,080,854	\$12,461	6	Y
Rock Creek Valley	359	28.4%	\$4,466,632	\$12,442	7	Y
Brookhaven	393	53.7%	\$4,817,235	\$12,258	8	Y
Highland View	335	54.3%	\$4,031,973	\$12,036	9	Y
Broad Acres	496	89.1%	\$5,891,411	\$11,878	10	Y
Cannon Road	367	39.2%	\$4,342,011	\$11,831	11	Y
Rosemont	470	58.9%	\$5,496,575	\$11,695	12	Y
Gaithersburg	462	64.3%	\$5,365,814	\$11,614	13	Y
Lake Seneca	360	30.3%	\$4,135,249	\$11,487	14	
Meadow Hall	354	42.9%	\$4,054,388	\$11,453	15	Y
Forest Knolls	513	35.5%	\$5,651,039	\$11,016	16	Y
Westover	282	14.2%	\$3,090,691	\$10,960	17	
Daly	519	48.2%	\$5,684,951	\$10,954	18	Y
Takoma Park	402	27.1%	\$4,358,534	\$10,842	19	Y
Washington Grove	381	55.1%	\$4,114,523	\$10,799	20	Y
Strawberry Knoll	547	36.6%	\$5,858,242	\$10,710	21	Y
Damascus	333	20.1%	\$3,540,811	\$10,633	22	
Diamond	405	17.5%	\$4,287,415	\$10,586	23	
Sequoyah	449	41.4%	\$4,725,588	\$10,525	24	Y
Glenallan	413	54.5%	\$4,339,453	\$10,507	25	Y
Jackson Road	544	54.6%	\$5,657,458	\$10,400	26	Y
Summit Hall	521	66.6%	\$5,397,480	\$10,360	27	Y
Brooke Grove	471	21.7%	\$4,865,183	\$10,329	28	
Cashell	338	19.2%	\$3,482,817	\$10,304	29	
Ride	545	34.5%	\$5,583,526	\$10,245	30	Y
Clopper Mill	469	45.2%	\$4,795,078	\$10,224	31	Y
Viers Mill	641	67.6%	\$6,544,872	\$10,210	32	Y
Glen Haven	564	48.9%	\$5,742,128	\$10,181	33	Y
Rock View	470	41.9%	\$4,743,692	\$10,093	34	Y
Rolling Terrace	691	54.4%	\$6,960,412	\$10,073	35	Y
Page	386	33.7%	\$3,841,192	\$9,951	36	Y
North Chevy Chase	315	13.0%	\$3,122,592	\$9,913	37	
Georgian Forest	431	53.6%	\$4,268,472	\$9,904	38	Y

# Category C – Per Student Expenditures

**Table 27: Per Student Costs for Elementary School-Based Services in Rank Order, FY06  
(continued)**

Elementary School	Enrollment	% FARMS	Operating Costs	Cost Per Student	Rank	Focus School
Highland	643	72.5%	\$6,310,861	\$9,815	39	Y
Piney Branch	496	40.5%	\$4,847,108	\$9,772	40	Y
Brown Station	414	45.9%	\$3,988,746	\$9,635	41	Y
Flower Hill	499	42.7%	\$4,777,565	\$9,574	42	Y
Sherwood	479	17.5%	\$4,578,446	\$9,558	43	
Drew	491	36.3%	\$4,691,010	\$9,554	44	Y
Cloverly	489	12.1%	\$4,649,035	\$9,507	45	
South Lake	558	57.7%	\$5,304,402	\$9,506	46	Y
Twinbrook	531	59.3%	\$5,041,972	\$9,495	47	Y
Seven Locks	251	6.4%	\$2,379,136	\$9,479	48	
Kemp Mill	610	67.4%	\$5,781,918	\$9,479	49	Y
Mill Creek Towne	481	36.2%	\$4,535,080	\$9,428	50	Y
Burnt Mills	529	56.1%	\$4,971,953	\$9,399	51	Y
Whetstone	578	44.1%	\$5,420,636	\$9,378	52	Y
Resnik	566	34.3%	\$5,281,049	\$9,330	53	Y
Candlewood	339	13.6%	\$3,157,341	\$9,314	54	
Rock Creek Forest	494	27.9%	\$4,594,777	\$9,301	55	Y
Rockwell	455	20.9%	\$4,205,289	\$9,242	56	
Beall	599	33.7%	\$5,520,097	\$9,216	57	Y
Woodlin	470	26.6%	\$4,312,159	\$9,175	58	Y
Flower Valley	471	17.4%	\$4,312,590	\$9,156	59	
Westbrook	308	9.7%	\$2,812,736	\$9,132	60	
Harmony Hills	512	77.1%	\$4,643,600	\$9,070	61	Y
Chevy Chase	432	19.7%	\$3,902,848	\$9,034	62	
Rosemary Hills	572	14.0%	\$5,132,181	\$8,972	63	
Fairland	525	40.8%	\$4,662,388	\$8,881	64	Y
Bells Mills	464	15.5%	\$4,120,010	\$8,879	65	
Maryvale	645	37.8%	\$5,723,415	\$8,874	66	Y
Luxmanor	333	13.2%	\$2,953,376	\$8,869	67	
Weller Road	563	60.9%	\$4,975,825	\$8,838	68	Y
Stedwick	592	44.9%	\$5,204,331	\$8,791	69	Y
Cresthaven	570	46.7%	\$5,010,773	\$8,791	70	Y
Pine Crest	398	49.2%	\$3,485,488	\$8,758	71	Y
Fox Chapel	563	37.8%	\$4,910,402	\$8,722	72	Y
Somerset	389	8.0%	\$3,377,742	\$8,683	73	
Strathmore	432	46.8%	\$3,746,506	\$8,672	74	Y
Ritchie Park	367	18.8%	\$3,182,119	\$8,671	75	
Dufief	475	7.2%	\$4,112,842	\$8,659	76	
Germantown	471	32.3%	\$4,076,539	\$8,655	77	
Laytonsville	501	15.2%	\$4,318,795	\$8,620	78	

# Category C – Per Student Expenditures

**Table 27: Per Student Costs for Elementary School-Based Services in Rank Order, FY06  
(continued)**

Elementary School	Enrollment	% FARMS	Operating Costs	Cost Per Student	Rank	Focus School?
Thurgood Marshall	572	22.0%	\$4,916,053	\$8,594	79	
Rachel Carson	726	2.0%	\$6,184,292	\$8,518	80	
Burning Tree	525	6.9%	\$4,381,595	\$8,346	81	
Bannockburn	353	4.5%	\$2,919,871	\$8,272	82	
Sligo Creek	633	23.5%	\$5,232,015	\$8,265	83	Y
Wheaton Woods	670	64.5%	\$5,523,186	\$8,244	84	Y
Watkins Mill	593	47.2%	\$4,874,440	\$8,220	85	Y
Cold Spring	429	5.4%	\$3,495,368	\$8,148	86	
Poolesville	441	15.0%	\$3,582,735	\$8,124	87	
Galway	702	38.5%	\$5,693,400	\$8,110	88	Y
Ashburton	559	14.8%	\$4,524,860	\$8,095	89	
Cedar Grove	540	15.0%	\$4,344,888	\$8,046	90	
Clearspring	630	24.4%	\$5,058,280	\$8,029	91	
Belmont	409	11.2%	\$3,280,795	\$8,022	92	
Bethesda	424	13.9%	\$3,395,643	\$8,009	93	
Carderock Springs	319	0.6%	\$2,548,298	\$7,988	94	
Greencastle	608	47.0%	\$4,853,490	\$7,983	95	Y
Lucy V. Barnsley	577	24.6%	\$4,545,995	\$7,879	96	
Goshen	646	23.4%	\$5,063,099	\$7,838	97	
Garret Park	451	19.3%	\$3,533,277	\$7,834	98	
Jones Lane	510	24.1%	\$3,957,615	\$7,760	99	
Kensington	468	13.9%	\$3,623,427	\$7,742	100	
Christa McAuliffe	625	31.0%	\$4,793,553	\$7,670	101	
Stone Mill	683	8.5%	\$5,204,658	\$7,620	102	
Fallsmead	538	11.5%	\$4,091,191	\$7,604	103	
Greenwood	580	10.9%	\$4,401,260	\$7,588	104	
Beverly Farms	563	8.7%	\$4,252,949	\$7,554	105	
Woodfield	429	12.1%	\$3,236,798	\$7,545	106	
Travilah	459	9.8%	\$3,454,064	\$7,525	107	
Stonegate	448	15.6%	\$3,356,629	\$7,492	108	
Wyngate	526	6.8%	\$3,924,529	\$7,461	109	
Farmland	577	6.4%	\$4,299,036	\$7,451	110	
Lakewood	587	5.3%	\$4,339,917	\$7,393	111	
Fields Road	492	26.8%	\$3,616,639	\$7,351	112	
Darnestown	418	7.9%	\$3,065,760	\$7,334	113	
Bradley Hills	388	3.4%	\$2,807,645	\$7,236	114	
Oakland Terrace	724	36.0%	\$5,225,819	\$7,218	115	Y
Burtonsville	599	26.0%	\$4,284,132	\$7,152	116	
Waters Landing	636	25.9%	\$4,511,883	\$7,094	117	
Potomac	527	6.1%	\$3,721,593	\$7,062	118	
Wayside	628	5.4%	\$4,396,075	\$7,000	119	



**Category C – Per Student Expenditures****Table 27: Per Student Costs for Elementary School-Based Services in Rank Order, FY06  
(continued)**

<b>Elementary School</b>	<b>Enrollment</b>	<b>% FARMS</b>	<b>Operating Costs</b>	<b>Cost Per Student</b>	<b>Rank</b>	<b>Focus School?</b>
Olney	612	12.3%	\$4,266,808	\$6,972	120	
College Gardens	490	17.1%	\$3,373,840	\$6,885	121	
Wood Acres	607	6.1%	\$4,129,320	\$6,803	122	
McNair	744	21.0%	\$4,985,113	\$6,700	123	
Clarksburg	663	14.6%	\$4,269,760	\$6,440	124	
Spark Matsunaga	1152	14.9%	\$7,147,407	\$6,204	125	

(60)